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THE SOCIETY OF INCORPORATED ACCOUNTANTS

JUNE 1950



ONE & SIXPENCE

# The Society of Incorporated Accountants and Auditors

*President:* A. STUART ALLEN, F.S.A.A., London.

*Vice-President:* C. PERCY BARROWCLIFF, F.S.A.A., Middlesbrough.

*Secretary:* I. A. F. CRAIG, O.B.E.

*Deputy Secretary:* C. A. EVAN-JONES, M.B.E.

*Offices and Library:* INCORPORATED ACCOUNTANTS' HALL, VICTORIA EMBANKMENT, LONDON, W.C.2.

Members use the designation Incorporated Accountant. Fellows may also use the initial letters F.S.A.A., and Associates A.S.A.A.

Admission to membership is by examination subject to satisfactory completion of articles of clerkship for five years (university graduates three years). Six years' approved professional experience may be accepted in lieu of five years' articles. Exemption from the Preliminary Examination is granted on production of certain educational certificates.

Articles may also be integrated with full-time study at certain universities. Under this scheme a specific university degree and the professional qualification can be attained in a total period of 5½ years.

All candidates must pass the Intermediate and Final Examinations, except that graduates under the universities scheme are exempted from the Society's Intermediate Examination.

Some concessions may be granted in respect of whole-time war service.

There are Branches of the Society in Scotland, Ireland, Canada, Australia, and South Africa, and District Societies in all parts of England and Wales, Northern Ireland, and India. Students' Societies and Students' Sections operate throughout Great Britain, Northern Ireland, and Eire.

Members of the Society are not allowed to seek professional business by advertisements or circulars.

The editorial and contributed articles and notes in ACCOUNTANCY cover a wide range of subjects and are selected for their general interest. The views expressed are not necessarily shared by the Council of the Society of Incorporated Accountants.

# Accountancy

JUNE, 1950

## Professional Notes

- 181 Incorporated Accountants' Meetings
- 181 Dinner to Mr. A. A. Garrett and Mrs. Garrett
- 181 Capital in Small Parcels
- 182 Approved Auditors: Scale of Fees
- 182 Company Statistics
- 182 Fees for Bankruptcy Orders
- 182 The Institute's Annual Meeting
- 183 Professional Education of Accountants
- 183 Company Formation in Australia
- 183 Certified Accountants' Meeting
- 184 Costing and Industrial Productivity
- 184 Relaxation of Planning Control

## Editorial

- 185 The Dearth of Industrial Capital

## The President's Speech

- 186 Taxation and Corporate Capital

## Letter to the Editor

- 189 Depreciation—*ad nauseam*

## Leading Articles

- 190 Insuring against Bad Debts
- 192 Getting Goods to the Consumer

## Taxation

- 194 ARTICLE: The Finance Bill
- 197 Wear and Tear Allowances

## Notes

- 206 Machinery and Plant Allowances
- 206 Overseas Property—Taxation

- 206 Interest on Death Duties
- 206 Continuing Annuities—Estate Duty
- 206 Tables of Written-down Values for Wear and Tear
- 206 Gifts to Technical Colleges, etc.
- 207 Double Taxation—Burma and Denmark
- 207 Inland Revenue Prosecution

## RECENT TAX CASES

## THE STUDENT'S TAX COLUMNS:

- 208 Schedule A

## Finance

- 210 The Month in the City
- 211 Points from Published Accounts

## Publications

## Law

- 214 Legal Note

## Society of Incorporated Accountants

- 216 Sixty-Fifth Annual General Meeting
- 218 Sixty-Fifth Annual Report
- 224 New Council Members
- 225 Dinner to Mr. A. A. Garrett and Mrs. Garrett
- 227 Council Meetings
- 228 Mr. Garrett's Visit to Australia
- 229 Branches and District Societies Conference
- 229 London Students' Society
- 229 Personal Notes
- 229 Removals
- 229 Incorporated Accountants' Benevolent Fund

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## Professional Notes

### Incorporated Accountants' Meetings

THE SIXTY-FIFTH ANNUAL GENERAL MEETING OF THE SOCIETY OF INCORPORATED ACCOUNTANTS, held on May 24, was attended by a large number of members. We publish later in this issue (pages 186 to 189) the address of the President, Mr. A. Stuart Allen, F.S.A.A., and our editorial article is devoted to the main theme of his speech.

On pages 216-17 and 225 we give a condensed report of the discussion at the meeting following Mr. Allen's speech. Members' contributions were lively and stimulating, while sharing the responsible and critical tone set by the President. The meeting was throughout indicative of the accountant's appreciation of the larger financial problems of the times, of which his duties give him a special awareness. But it was also clear that the membership of the Society is keenly concerned with more domestic issues, in particular with the qualifying examinations.

After the general meeting, the Council re-elected as President Mr. A. Stuart Allen, F.S.A.A. (London), and as Vice-President Mr. C. Percy Barrowcliff, F.S.A.A., (Middlesbrough).

The Incorporated Accountants' Benevolent Fund held its annual general meeting following that of the Society. The President of the Fund, Sir Thomas Keens, D.L., was in the chair. We publish the annual report of the Fund on pages 229 and 230 and a report of the proceedings at the meeting will appear in our next issue.

## Dinner to Mr. A. A. Garrett and Mrs. Garrett

There was a large gathering of notable guests and members of the Society at the Savoy Hotel on the evening of May 24, at a dinner given by the Society of Incorporated Accountants in honour of its retiring Secretary, Mr. A. A. Garrett, M.B.E., M.A., and Mrs. Garrett. We publish a report on pages 225 to 227 of this issue.

No proof is needed of the esteem and affection in which Mr. Garrett is held, not only by Incorporated Accountants everywhere but also by a very wide circle of friends, in the professions, in business, in journalism, in academic life and in every other field with which he came into contact during his long and successful career. But the presentations made at the dinner were an earnest of members' feelings for Mr. Garrett and the speeches were a fitting panegyric on a distinguished Secretary—and a lovable personality.

## Capital in Small Parcels

As a supplement to the article in our May issue (pages 150-1) under the heading "Capital in Small Parcels—The Accounting Investigation," we comment, in the present note and on page 210 of this issue, upon the recently published report and accounts of the *Industrial and Commercial Finance Corporation* for the year to March 31 last.

In his statement, Lord Piercy, the chairman of the Corporation, points out that general manufacturing industry seems to have received less than a due share of the national capital resources, social investment and the re-equipment of a few basic industries having been given priority as a matter of Government policy.

On a number of occasions we have ourselves expressed concern at this policy. Its results will show themselves, in the shape of a sacrifice of productivity, not only in the more distant future but also in the years immediately ahead. As was remarked by Mr. Nicholas Kaldor in a recent broadcast, in France current investment per person in industry is twice as high as in this country, and in the United States it is four times as high.



The dangers inherent in the policy of recent years of starving manufacturing industry of new capital are aggravated by the signs that industry itself is now less anxious to obtain finance for fixed investment. "It is difficult," says Lord Piercy, "to avoid an impression that the zest for re-equipment, for new extensions and indeed for new creative enterprise has diminished over the last two years, and has been succeeded by a mood of uncertainty as to prospects." Moreover, in the Corporation's experience, the underlying trend of business is becoming less favourable. While the number of applications for capital was maintained, a smaller proportion led to completed contracts. A substantial part of the Corporation's resources is being used, not for fixed capital but to provide additional working capital, beyond that supplied by the banks, in support of work-in-progress and finished stocks at the higher prices now prevailing.

At a Press conference Lord Piercy revealed that about one-third of applications to the Corporation for finance—numbering in all more than 500 during the last financial year—come direct from companies and the remainder come through the medium of professional accountants and auditors.

#### Approved Auditors : Scale of Fees

As a result of representations made in January, 1949, to the Registrar of Friendly Societies by the Accountants' Joint Parliamentary Committee, followed by discussions with the Registrar, the following revised scale of maximum fees for Approved Auditors under the Industrial and Provident Societies Acts and Friendly Societies Acts will be introduced with effect from January 1, 1951. This scale will apply in place of the existing scales for all societies registered under the Industrial and Provident Societies Acts and all societies registered under the Friendly Societies Acts, except collecting societies (societies registered under the Friendly Societies Acts which carry on industrial assurance business). For collecting societies no change will be made in the present scale except that the fee will be left to be fixed by special arrangement where the aggregate of receipts and payments exceeds £20,000 (instead of £50,000 under the present scale).

No other change is proposed in the conditions of appointment for Approved Auditors. The present scales will continue to apply for all societies until January 1, 1951.

<i>Aggregate of Society's Receipts and Payments</i>	<i>New Scale (for all Societies except Collecting Societies)</i>
Up to £500 ..	2 guineas
£501—2,000 ..	3 "
£2,001—3,000 ..	4 "
£3,001—4,000 ..	5 "
£4,001—6,000 ..	6 "
£6,001—8,000 ..	8 "
£8,001—10,000 ..	10 "
£10,001—12,000 ..	12 "
£12,001—14,000 ..	14 "
£14,001—16,000 ..	16 "
£16,001—18,000 ..	18 "
£18,001—20,000 ..	20 "

It will be noted that under the new scale fees for all societies will be assessed on the aggregate of receipts and payments. Under the present scales only the fees for working men's clubs and collecting societies are assessed on this basis, fees for other societies being assessed on receipts only.

#### Company Statistics

There were 254,527 companies on the registers in Great Britain at the end of 1948. Of this number, 12,116 companies were in course of removal by being in liquidation or for other reasons, making a net figure of 242,411. Of this total of "live" companies, 16,866 were public and 225,545 were private. The aggregate paid-up capital of the registered companies having a share capital was £5,925 million at the end of the year (£3,885 million for public companies and £2,040 million for private companies).

During 1948 16,344 new companies were registered in Great Britain; the total nominal share capital was £117.8 million. Both figures were the lowest since 1945.

Liquidations begun numbered 2,813 during the year, the largest total since 1939 (2,980). There were 343 compulsory liquidations and 2,470 voluntary. Of the voluntary liquidations, 1,997 were members' and 473 were creditors'.

The Board of Trade made 184 prosecutions during 1948 under the Companies Acts, 1929 and 1948, and these resulted in 134 convictions.

Failures to file annual returns accounted for 77 of the prosecutions (56 convictions) and failures by receivers and voluntary liquidators to file accounts led to 91 prosecutions (67 convictions).

These and other statistics are given in the Board of Trade's *General Annual Report on Companies for the year ending December 31, 1948*, published recently by His Majesty's Stationery Office (price 6d. net).

#### Fees for Bankruptcy Orders

Various fees for bankruptcy orders are amended or increased by the Bankruptcy Fees (Amendment) Order, 1950 (Statutory Instrument No. 602 (L.15)). Fee No. 10 in Table A and Fee No. 2 in Table C of the First Schedule to the Bankruptcy Fees Order, 1930, as amended—now payable on an application for an order of discharge, to review an order of discharge or to review the refusal of an order of discharge—is clarified. Fees Nos. 4 and 5 in Table C, in respect of duties performed away from the Court office by officers of the Court, are increased. The Bankruptcy Fees (Amendment) Order, 1932, is revoked.

#### The Institute's Annual Meeting

The Institute of Chartered Accountants held its annual general meeting on May 3, with Sir Russell Kettle, the President, in the chair. Among the domestic matters on which Sir Russell commented was the resolution before the meeting, afterwards carried, to the effect that up to five seats on the Council should normally be occupied by members not in practice, but the principle was reaffirmed that membership of the Council should as a general rule be confined to practising members. Whatever other activities the Council might undertake for the benefit of members or of the profession, said Sir Russell, its two main functions related to the conditions of training and examination for admission to membership, and to the conduct of members. To carry out these duties the Council must consist substantially of practising members.

The Council of the Institute had decided that Fellowship should still be available only to members who had practised as a public accountant for at least five years since being admitted to Associateship.



Sir Russell referred to the loss to independent professional accountants of audit work following the nationalisation of the coal industry. Fortunately for the profession and the public, he said, the British Transport Commission did not follow the National Coal Board's precedent. The Board carried out all local audit work through what was technically called "internal auditing," though in practice it was comparable with the auditing of subsidiary companies. The Commission, in contrast, employed independent accountants for local work, though in smaller numbers because of the consolidation of undertakings. The Commission had also tried to take due account of the position of existing auditors.

### Professional Education of Accountants

We devoted an editorial article last January (page 8) to a review of the report of the Carr-Saunders Committee on Education for Commerce. We there confessed to some reservations on the committee's main recommendations relating to the accountancy profession. The first of these three recommendations was that "vocational training" (specialised accountancy subjects) should not figure in the syllabus for the intermediate examination and that exemption should be given from that examination to students who had gained the new national certificate for commerce after three years' study of general commercial subjects. The second recommendation was that no vocational training should begin before the age of 18. The third was that part-time day courses for the intermediate and final examinations of the three main bodies of accountants should be organised by the colleges of commerce and the major technical colleges in conjunction with the bodies.

An address given by Mr. F. R. M. de Paula, O.B.E., F.C.A., before the Association of Technical Institutions has now been reproduced under the title *Some Reflections on the Report of the Special Committee on Education for Commerce*. Though he was guarded on some points, Mr. de Paula—who was speaking in a personal capacity—is clearly an enthusiast for the committee's recommendations, as is to be expected of one who was a member of the committee. Vocational training, he says, would

greatly benefit by being postponed until after 18 years of age. At another point in the address, however, he adds that the profession of accountancy, with some others, is so wide that "it would seem to be impossible to avoid commencing vocational training from the commencement of employment and including this in the intermediate examination." Is the conclusion to be drawn that no entrant into the accounting profession should ever be less than 18 years old?

Mr. de Paula does not enlarge upon the suggestion that part-time courses should be conducted during the day. But he strongly urges the release of clerks for daytime study. "I have, for many years, been firmly of the opinion that the problem of education for the professions would be greatly benefited and simplified by the institution of adequate daytime release."

Sir Russell Kettle, the President of the Institute of Chartered Accountants, in his address at the annual general meeting (reported more generally in an earlier note), spoke strongly against some of the committee's suggestions. The Institute, he said, could not support:

an arrangement whereby the education, training and examinations for membership of the accountancy profession would be placed wholly or partly on an "all-purpose" basis irrespective of the accountancy body of which a particular candidate wished to become a member, nor could the Council support the "sandwich" system, recommended by the Carr-Saunders Committee, whereby courses of theoretical instruction would be taken in the daytime concurrently with practical training.

### Company Formation in Australia

There continues to be a large export of capital to Australia, much of it for new industrial development. The widespread belief that the Australian pound may be appreciated to parity with sterling, from its present value of 16 British shillings, has undoubtedly encouraged the flow of capital to the Dominion. But the efflux of funds is not all speculative—part is explained by a speeding-up of remittances by those who are genuinely intending to enter upon industrial ventures in Australia but who naturally do not wish to lose on the exchanges.

Accountants who are asked to advise on the setting-up of new businesses in Australia cannot afford to be without a very useful and comprehensive booklet, *Company Formation in Australia*, just issued by the Union Bank of Australia. Company law in Australia is largely State (not Federal) law, varying from one State to the next. The booklet takes the Victorian law as the model but sets out, in appendices, the main differences in the law of the other States. (The Companies Act of 1938 of the State of Victoria as amended is stated to be substantially the same as the Companies Act, 1929, of the United Kingdom.)

Information is given in twelve main sections—companies; income tax (including double taxation); factories and shops; health laws; workers' compensation; patents, trade marks and designs; copyright; bills of exchange, promissory notes and cheques; industrial arbitration; land tenure; stamp duties; and death duties. The first section, the longest, gives the law on the formation of companies; the issue and alteration of share capital; management and administration; and the position of foreign companies and subsidiaries. An inset to the booklet is also issued giving particulars of the rates of Commonwealth income tax and social service contributions.

### Certified Accountants' Meeting

In his address at the annual meeting of the Association of Certified and Corporate Accountants, held on April 18, Mr. Frederick Wilson, the President, lent his support to the growing demand for simplified accounting statements for shareholders. The law insisted, said Mr. Wilson, in his opinion rightly, that the grouping of the accounts was essential to a proper understanding of the annual reports of holding companies. But there were complaints that in consequence accounts were often becoming excessively cumbersome. He thought investors would be helped by a growth of the practice of giving a concise and carefully explained summary of the main features of the balance sheet and of the profit and loss account, showing figures of reserves, net working capital, earnings and so on.

Mr. Wilson confessed that there

remained differences of opinion among accountants on the treatment of various accounting items. Future income tax was usually included among the revenue reserves, but sometimes it was given as a deferred liability and occasionally as a current liability. There was need for agreement on the correct place of residence of this item in the accounts. Similarly, expert opinion was far from unanimous on the proper placing of the taxation equalisation reserve provision, which was becoming an accounting commonplace with the doubling of initial allowances.

### Costing and Industrial Productivity

Three more reports of "Productivity Teams" sent to the United States by the Anglo-American Council on Productivity give invaluable information and advice about American methods—methods which are shown to be, all in all, much more economic than ours. Two reports cover the drop forging and building industries and the third is on mechanical handling. (They are obtainable from the Council, (21 Tot-hill Street, London, S.W.1), at prices of 2s. 3d., 2s. 6d. and 2s. 6d. respectively.)

Little is said in any report on American accounting techniques or systems. For a full study of this subject the report of the accounting team, now in the United States, must be awaited. The report on drop forging makes a brief reference to costing:

It is understood that the American Drop Forging Association has a booklet on costing methods which are largely adopted by members. A similar book has been issued by the British National Association, but its recommendations are less widely followed.

It is also remarked that the Americans spend much more upon maintenance and make a far closer study of the costs. To emphasise the strict records kept, one firm was able to quote the following figures of maintenance costs for a period of one month on six forging presses and six steam hammers:

Forging presses: Average cost 421 dollars per machine.

Steam hammers: Average cost 247 dollars per machine.

How many British firms, in the forging or any other machine industry, could quote precise maintenance costs in this way?

Another British "working party" report was also published last month, on the building industry. This report (His Majesty's Stationery Office, 2s. 6d. net) is distinguished, in comparison with those of most of the other working parties, by going beyond the general advocacy of adequate costing with which most of them were content. A firm of practising accountants was engaged, at the request of the working party, to investigate the costing systems of a cross-section of large and medium-sized firms in the industry. The review, published as an appendix to the report, is an exhaustive study of building costings. It will be of great value to accountants interested in the industry, including the accountants of municipal authorities which employ direct labour. The main general recommendations of the costing study are:

The costing records should form an integral part of the financial records where practicable or should be reconciled with the financial books at periodic intervals.

In addition to the contract costs which are prepared in almost all cases, operational or unit costs should also be prepared to the extent to which such costs are considered necessary by the management.

Budgetary control of direct and overhead expenditure should be introduced where this is not already done.

The question of centralisation or decentralisation of accounting depends on the merits of each individual case.

The costing records should be kept by personnel having sufficient technical knowledge to enable them to do so intelligently, and should be interpreted by the cost accountant in conjunction with technical personnel.

Bills of quantities should be priced in such a manner to make them effective for costing purposes. Calculations in man-hours are simpler and may be more effective than calculations in money value for certain purposes.

Detailed material records may be impracticable partly owing to their cost, but control of materials may be achieved by closer attention to the ordering of materials by quantities required, as shown by the bills of quantities, together with a system of charging the materials to the contract as soon as they are delivered to the site.

The recording of the use of mechanical and non-mechanical plant and transport, and the allocation of head office overhead charges and profit, need to be generally improved, in ways that are indicated.

### Relaxation of Planning Control

Since the Town and Country Planning Act came into force on July 1, 1948, there has been a great need for some amendment to the strict provisions governing not only the granting of planning permission but also the levying of development charges. The recent relaxations of planning control announced by the Minister of Town and Country Planning are therefore welcome. They remove a number of irksome formalities.

The new General Development Order (S.I. 1950, No. 728), which came into operation on May 22, lifts planning control almost entirely from farm and forestry buildings. It also frees from planning permission most normal extensions to dwelling houses (for example, the erection of a garage) and permits a 10 per cent. extension in the case of industrial premises, subject to a maximum of 5,000 sq. ft.

The procedure in certain other cases has also been considerably simplified. Where a person wishes to carry out work still remaining within the scope of planning control, he can now, in certain cases, make an "application in principle" to the planning authority. Only a site plan, instead of the detailed plans previously required, need be submitted. This relaxation will assist those who contemplate the erection of buildings, yet who naturally do not want to prepare detailed plans unless they know that their proposals are generally acceptable.

The latitude given in particular to farmers is certainly a welcome recognition that essential development should be released from Government control. It must be remembered, nevertheless, that from the inception of the Town and Country Planning Act certain minor developments in connection with the day-to-day working of farms and plantations were exempted from planning permission, and agricultural development generally was not subject to development charges.

The Minister of Town and Country Planning has referred to the changes as an "experiment." It is to be hoped that the experiment will prove itself and that uncontrolled development will later be extended.



# ACCOUNTANCY

FORMERLY THE INCORPORATED ACCOUNTANTS' JOURNAL ESTABLISHED 1889

*The Annual Subscription to ACCOUNTANCY is 17s. 6d., which includes postage to all parts of the world. The price of a single copy is 1s. 6d., postage extra. All communications to be addressed to the Editor, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, London, W.C.2.*

## *The Dearth of Industrial Capital*

THE DEARTH OF INDUSTRIAL CAPITAL is an insidious problem. It does not receive the publicity of our balance of payments difficulties. It does not produce a national crisis, as a fuel shortage does. It is not, like the rise in the cost of living, a homely problem, acutely felt by all. Indeed, it is unspectacular; its effects come slowly; it seldom finds a place in the newspaper headlines; most people can—and do—ignore it. Yet our failure to repair and enlarge the productive potential of this country is, on the long view, perhaps the biggest economic issue of the times.

The stoutest and highest of the dams that impede the flow of capital into productive industry has been erected by successive Chancellors of the Exchequer by the piling on of taxes. Before anything can be put aside by industrial companies for capital replenishment, apart from insufficient depreciation allowances, the Exchequer makes a draft of more than one-half of any sum available. This point was brought out by Mr. A. Stuart Allen, the President of the Society of Incorporated Accountants, in his speech at the Society's annual general meeting, reported later in this issue of ACCOUNTANCY. The combined effect of profits tax and income tax in 1950, he said, is that each £1 of reserves represents earnings of £2 os. 5d. Moreover, he pointed out, even ignoring taxation of excess profits, the tax burden has on average been practically as heavy as this for the last decade, since the beginning of the war, so that its effect has been cumulative.

This diversion of industrial earnings into the Exchequer coffers would be serious enough even if companies could replenish their assets at constant prices, for any expenditure on modernising their plant, on extending their produc-

tive capacity, on re-equipping themselves, could even then only with great difficulty be financed without resort to outside sources, which are themselves starved of funds. But the problem is made much more intractable by the continuous rise in the cost of merely replacing assets. Since 1900, Mr. Allen said, the price level had risen by about two and a half times. It followed that, apart entirely from any extension of their production, businesses need capital, at present prices, of about three and a half times what they would have required in 1900. This additional capital ("additional" in money terms but representing no increase in real assets) should normally be provided by businesses internally. But to provide it themselves, their earnings would have to be many times larger than would be necessary if prices had not risen. Mr. Allen gave a concrete illustration, thus bringing out the issue much more vividly than could be done in generalisations. He showed that a business formed, say, in 1900 with an original capital of £100,000, would by now have needed to build up its capital employed to a total of £350,000 if it were not to decline (or to expand). To succeed in doing that, and in doing no more—paying no dividends to the proprietors but simply keeping its assets intact—the business would have had to earn an average of 34.7 per cent. per annum on the original capital through the last decade, even ignoring the war-time duty and tax on excess profits. In 1949 the price level for industrial materials and manufactures, continued Mr. Allen, rose by 5 per cent. With such a price rise, the business should find in a year some £17,500 net (5 per cent. of £350,000) as a "price level reserve," for the mere renewal of assets. But to do that, and allowing

now a modest dividend of 6 per cent. (gross) on the nominal capital, the example shows that the business would have to earn, with existing tax rates, about £43,400, or 43.4 per cent. on the original capital.

Consider the implications. Business men are bound to be charged with "profiteering" if earnings have to be of this order of magnitude. They cannot bring their nominal capital into proper relationship with capital employed, so reducing the rate of earnings—in Mr. Allen's example, to 12.4 per cent.—because of the official dislike of bonus issues. Claims for increased wages are urged by trade unions, largely on the strength of "inordinately high profits," and with full employment they have gradually to be granted. The increase in labour costs adds momentum to the rise in prices, already propelled by the need for larger business earnings. The initial inflationary pressures, and the high tax rates that go with them, produce a situation in which they continually reinforce themselves.

The monetary and financial side of the picture is disquieting enough. But it has its obverse side, on which is drawn the state of the physical assets of business—the real capital of the country—and this is even more disturbing. For, at the best, the quoted high rate of earnings on nominal capital, if it can be achieved, has allowed nothing more than replacement of assets. If businesses are to finance improvements and extensions themselves, their gross earnings must be still higher.

Thus there is a grave danger that internal finance is insufficient, and will continue to be so, even for maintenance of assets, let alone for the re-equipment that is required. Moreover, personal savings, as a distinct entity from those of businesses, are running at a very low level. This is partly because the same forces of price rises and heavy taxation are depleting them, and partly because distributions from business earnings are not enough to feed the pool from which they largely derive. It is small wonder, then, that the industrial capital of the country is not being modernised and expanded. To foster both business savings and personal savings is a prime requirement of economic statesmanship to-day.



# The President's Speech

## TAXATION AND CORPORATE CAPITAL

*We give below a full report of the speech by the President, Mr. A. Stuart Allen, F.S.A.A., at the annual general meeting of the Society of Incorporated Accountants on May 24, 1950.*

THE REPORT OF THE COUNCIL FOR 1949 HAS BEEN CIRCULATED AND I do not propose to take up your time by dealing in detail with all the points mentioned therein. I shall therefore confine my remarks to those matters which seem to me to require further comment.

MR. A. A. GARRETT, M.B.E.

My first thoughts this year turn to Mr. Garrett's memorable Secretaryship of the Society, which came to an end upon his retirement on December 31 last. Mr. Garrett first joined the Society's staff in 1909 and was appointed Secretary in 1919 in succession to the late Sir James Martin. No words of mine can adequately express the debt of gratitude which Incorporated Accountants owe to Mr. Garrett. He has never spared himself in the service of the Society, and the Council, in recognition of his work, elected him an Honorary Member in July, 1949; this, I need hardly remind you, is the highest honour which the Society has to bestow and in the whole history of the Society has only been conferred upon ten persons.

I shall have more to say about Mr. Garrett and his work for the Society at the dinner which is being given this evening in his honour, but on behalf of all members I express to him our sincere gratitude and offer him our best wishes for his future happiness in the leisure which is now his.

### ACCOUNTANCY BODIES OVERSEAS

Mr. and Mrs. Garrett have recently returned from a visit abroad. While in Sydney Mr. Garrett represented the Society at the Second Australian Congress on Accounting, and he was received with the greatest kindness throughout his travels by Incorporated Accountants and by the accountancy bodies in Australia, New Zealand and South Africa. The Council welcomes every opportunity of cementing its friendship with overseas accountancy bodies and looks forward with pleasure to welcoming to London members of these bodies during the International Congress on Accounting which is now to be held in July, 1952, instead of in 1951 as originally proposed.

### OBITUARY

The obituary list is unhappily a long one. Reference is made in the Report to the loss which the Society has suffered through the death on March 15, 1950, of Mr. Charles Hewetson Nelson. Mr. Hewetson Nelson was a Past President and an Honorary Member of the Society, and was a member of the Council for no less than forty-six years. His work for the Society will be a continuous source of inspiration to those who in future guide the destinies of the Society.

I deeply regret that the obituary list also includes the names of Mr. Robert T. Dunlop (a Past President of the Scottish Branch and a member of the Council of the Society from 1935 to 1945), Mr. B. A. Key and Mr. F. C. McConnell (both Past Chairmen of the South African Northern Branch), Sir Adam Maitland and Sir Frederick Heaton.

### MEMBERSHIP

It is interesting to record that membership of the Society has increased by almost 7,000 in the past 50 years. The average annual net increase between the wars was 242, compared with 300 since 1947.

### EDUCATIONAL DEVELOPMENTS

I wish to draw the attention of members to the changes which will be made in the field of general and professional education during 1951. The Society naturally has a vital interest in education, and I desire to record the Council's appreciation of the counsel given by Mr. S. H. Wood, C.B., M.C., who acts as our adviser upon educational matters. Apart altogether from the standard of our professional examinations, it is essential that the Society should recruit candidates of a high standard of general education; to this end the Preliminary Examination syllabus, and regulations governing exemption therefrom, are continually under review.

In 1951 the School Certificate and Higher School Certificate are to be replaced by a General Certificate of Education. This will affect the current regulations relating to exemption from the Preliminary Examination. The regulations which will then come into force are set out in the Report.

In November, 1951, certain alterations are to be made in the Society's own examinations, and I would urge all members to study the new syllabus and regulations which are set out in an appendix to the Report. Perhaps the most important change is that although the scope and duration of the Final Examination will be extended, candidates will be permitted to sit for this examination in two parts.

### APPROVED AUDITORS: SCALE OF FEES

A deputation from the Accountants' Joint Parliamentary Committee has discussed with the Registrar of Friendly Societies the scale of fees payable to Approved Auditors. As a result, a revised scale of fees has been agreed in principle, which in certain respects is more satisfactory than the existing scale. It is hoped that it will be possible to give details in the June issue of ACCOUNTANCY; the new scale will come into operation on January 1, 1951.

### BRITISH INSTITUTE OF MANAGEMENT

The British Institute of Management is taking steps to encourage the establishment in all parts of the country of autonomous Local Management Associations with the object of promoting facilities for study and discussion of management problems. The Council hopes that members will support these local associations when they are formed and take an active interest in their work. The profession has an important practical contribution to make to industry and commerce, and I would commend to members the admirable paper on "What Management expects from the Accountancy Profession" presented by Sir Richard Yeabsley at the Birmingham Conference and reported in the November, 1949, issue of ACCOUNTANCY.

The Council wishes to maintain close liaison with the British Institute of Management upon all matters of common interest, and in this connection I am glad to record that Sir Richard Yeatsley is a member of the Council of the British Institute of Management.

#### CONFERENCES AND COURSES

In April, 1949, a course was held at Caius College, Cambridge, and a conference of the Society was held in Birmingham in September last. I have pleasure in announcing that the Council has accepted the invitation of the Irish Branch to hold the next conference of the Society in Dublin from June 13 to 16, 1951. Arrangements have also been made to hold courses for members at Ashridge from June 23 to 27, 1950, and at Balliol College, Oxford, from September 14 to 19, 1950.

#### DRAFT PUBLIC ACCOUNTANTS' BILL

You will no doubt have read the Presidential addresses of Sir Russell Kettle at the annual meeting of the Institute of Chartered Accountants in England and Wales and of Mr. Wilson at the annual meeting of the Association of Certified and Corporate Accountants. I wish, however, to say a few words about the present position in regard to the draft Public Accountants' Bill. You will recall that this draft Bill was approved by members of the Society and of the other sponsoring bodies at extraordinary general meetings in 1946 and was subsequently submitted to the Board of Trade with a request for early consideration by Parliament.

It soon became apparent, however, that progress would be delayed by the pressure of Parliamentary business and by the necessity of reaching agreement on a number of difficult issues before there could be any prospect of the Bill being adopted as a Government measure. Then the Companies Act, 1948, was placed on the Statute Book which, *inter alia*, prescribes the conditions governing the appointment of auditors of public and non-exempt private companies, and the eligibility of all members of the Society and of the other sponsoring bodies was recognised in this respect under Section 161 (1) (a). Thus the Companies Act, 1948, has achieved one of the objects of the Public Accountants' Bill in that it has created, in a limited field, a register of qualified accountants.

In these changed circumstances the Council has decided not to proceed further with the 1946 draft Public Accountants' Bill in its original form, but alternative proposals are now under consideration. I cannot at this time go into the detail of these proposals, as discussions upon them with the other accountancy bodies and the Board of Trade have not advanced sufficiently.

I feel, however, that it is opportune to assure this meeting that in this matter the Council is guided by two main principles—the safeguarding of the public interest and the preservation of the rights of the members of the Society.

If, as I hope, the present discussions prove successful and agreement is reached between the accountancy bodies and Government Departments upon the method of achieving our objects, detailed proposals will be placed before members for their approval.

While on this subject I wish to say that it is impossible to overstate the debt which the Society owes to Mr. Richard A. Witty for the work he has done in the preparation of the draft Bill and the negotiations thereon. His services from the outset have been invaluable. I desire also to record the Council's appreciation of the manner in which Sir Harold Howitt has discharged his heavy responsibilities as Chairman of the Committee.

#### THE EFFECT OF THE PRICE LEVEL UPON CAPITAL EMPLOYED

In the course of his address at the last annual general meeting, my predecessor, Sir Frederick Alban, devoted a considerable time

to the great rise in price levels which had already taken place. He quoted authoritative opinion, both in the United States and in this country, as to the changes in accounting procedure which were thereby rendered desirable, to which he added his own most valuable contribution.

In the intervening twelve months the main problem has lost none of its urgency—which is to ensure that trade and industry shall be provided with the capital necessary to maintain its productivity.

The *Economic Survey for 1950* and the recent White Paper on National Income and Expenditure afford much relevant material, all of which is worthy of the closest study, but I feel that it may serve a useful purpose to attempt to express the issues more concretely than is done by the official publications.

In the first place, a rising price level is a normal and persisting factor in all monetary economies, even in periods immune from major disturbances. That is historically true and seems inevitable if one reflects that the burden of the claims of savings on current productivity would tend to become intolerable if the trend of the purchasing power of the unit of currency were generally, although gradually, upwards.

As recently as March 23 last, Mr. Gaitskell in the House of Commons quoted figures to the effect that the price level over the whole field of personal consumption had risen from 100 in 1900 to 110 in 1914 and had reached 330 in February, 1950. These figures certainly support the view that the price level of consumer goods moves gradually upwards even in times of peace, and that the effect of war is to accelerate the steepness of the rise. The difference, therefore, is one of degree, but to say that is not to minimise the problem with which trade and industry are now confronted, since a change which is manageable when it occurs in small degree over a lengthy period may prove wholly intractable when it occurs to a major extent in a relatively brief space of time.

It is on this contrast in degree that I wish to focus attention, and, for that purpose, it is necessary to estimate the rises in the general price level at various stages since the beginning of the century. The index of consumer goods and services is too selective; it is also artificial as the result of subsidies and controls designed to keep down the cost of living. Taking the year 1938 as a base, the price index of consumer goods and services had risen to 180 by 1948. On the other hand, the index of wholesale prices for industrial materials and manufactures, including fuel, rose in the same period from 100 to 234.

It seems safe to suggest that the following figures are a reasonable indication of the changes in the general price level since 1900:

1900	..	100
1914	..	110
1938	..	175
1948	..	350

In other words, in the course of nearly half a century the price level rose in fourteen years of peace by 10 per cent., by a further 65 per cent. in the next twenty-four years and by no less than 175 per cent. of the 1900 index in the last decade.

Turning now to the effects of this rise on the capital employed in an industrial undertaking, it is desirable, in order to avoid the complications of other factors, to assume that the volume of production has remained constant since 1900 and that the process of production has not changed materially. In nearly fifty years the cycle of replacement of assets, whether fixed or circulating, is likely to have become complete, with the exception of freehold land, the qualities of which are not exhausted in the process of production.

All fixed and circulating assets and even the working capital to finance turnover, which must have expanded in terms of money

although not in volume, will, at the end of the period, require resources approximating a total of three and one-half times the capital employed in 1900. It follows that additional capital to the extent of two and one-half times the capital employed in 1900 will actually be in use in the undertaking in 1948.

The natural and certainly the most reliable means of providing this additional capital will have been by withholding from distribution year by year sufficient profits to provide a total accumulation at the end of the period of the amount indicated. At this point it should be stressed that this contemplated "price level reserve" is in addition to the amortisation allowances now permissible for taxation purposes in respect of buildings and plant, which are based on historical cost.

Assuming an amount of £100,000 as being both the issued capital and the capital employed in 1900, this figure would have been built up to £350,000 at the end of 1948 in three stages, namely:

	£
To 1914 (14 years) ..	10,000
To 1938 (24 years) ..	65,000
To 1948 (10 years) ..	175,000
<b>Total Additional Capital</b>	<b>£250,000</b>

The burden upon profits earned, however, would be greater by the taxes payable, since the amounts stated are net after payment of all taxes. In arriving at the corresponding gross appropriations, neither excess profits duty nor excess profits tax has been taken into calculation.

	Net £	Average rate of taxes (Approx.) s. d.	Gross (Approx.) £	Average percentage per annum on £100,000
First 14 years ..	10,000	1 4	10,700	0.75
Next 24 years ..	65,000	5 0	86,000	3.6
Last 10 years ..	175,000	9 11	347,000	34.7
<b>Additional Capital—Net</b>	<b>£250,000</b>	<b>Gross</b>	<b>£443,700</b>	

No purpose would be served by introducing any estimate of dividend distributions, since the figures are designed to demonstrate that the extent of the accumulations necessary to maintain production is governed by the combined effect of the rate of increase in the price level and the rate of taxation.

Having estimated the position at the end of 1948, the need then arises to define the rate of increase in the price level thereafter. Taking 100 as the index for industrial materials and manufactures at the beginning of 1949, by the end of the year the index had become 105. Applying this to the illustration already used, the "price level reserve" that should be created in 1949 is 5 per cent. of £350,000, the capital employed at January, 1949, namely £17,500. To complete the picture let it be assumed that the proprietors could, not unreasonably, expect a return on the £100,000 capital originally invested of 6 per cent. The net distribution would be £3,300.

The combined effect of profits tax on the basis imposed by the Profits Tax Act of 1949 and the current standard rate of income tax is that each £1 net of dividend requires earnings, before taxation, of £2 8s. 6d. and each £1 of reserves represents earnings of £2 0s. 5d.

To provide a net profit of £20,800, the accounts of the business for the year 1949 must disclose figures not less than the following:

	£	Percentages On Issued Capital	On Capital Employed
Profits for the year, before taxation .. .. .	43,400	43.4	12.4
Profits tax and income tax thereon .. .. .	22,577	22.6	6.5
<b>Net Profit for the year</b> .. .. .	<b>20,823</b>	<b>20.8</b>	<b>5.9</b>
Price level reserve .. .. .	17,500	17.5	5.0
<b>Available balance</b> .. .. .	<b>3,323</b>	<b>3.3</b>	<b>0.9</b>
Dividend of 6 per cent. on issued capital, less income tax .. .. .	3,300		
<b>Unappropriated balance</b> .. .. .	<b>£23</b>		

The above figures gain significance from the fact that they reflect only the accumulation essential to the maintenance of the established level of productivity, whereas the emphasis is constantly upon the need to expand productivity. On the other hand, it is frequently averred that, in general, industrial profits are inordinately large, and yet the dividend of 6 per cent. which the above earnings permit can be compared with a yield of nearly 4 per cent. on War Loan 3½ per cent. at the current price.

Much has been, and is being, said on the problems inherent in a rising price level. My purpose has been to crystallise the issues and to express the consequences concretely. The illustration I have used is specialised, but only so that all the effects of the rising price level should be embraced within the period reviewed. I have certainly been concerned not to over-state the rise which has already occurred, while, from the devaluation of last autumn and other recent events, I think it follows that the upward trend still continues.

I have sought to indicate the magnitude of the burden upon the national resources which replacement of the fixed assets of our trade and industry must impose and which is essential to the maintenance, as distinct from the expansion, of the country's trade. The fact that replacement of the bulk of these assets has not yet become imperative serves to disguise the gravity of the problem but does not diminish its inevitability.

The need for the maximum volume of production at lower costs should accelerate replacement and modernisation, but the *Economic Survey for 1950* makes it clear that our resources are hardly adequate for amortisation of assets on the basis of historical cost—it certainly suggests no solution to the problem which I have propounded, which is of increasing urgency.

I trust that what I have said may afford some assistance to members of the Society when, as auditors, their advice is sought as to the amount which should be placed to reserve in order that the productive capacity of businesses shall be maintained.

#### TAXATION

##### Retrospective Legislation

The proposal in Clause 20 of the Finance Bill, 1950, to impose sur-tax for 1949-50 on sums payable to directors and others who enter into covenants restricting their activities for the benefit of their employers has provoked much adverse comment, but it does not seem to be generally appreciated that an instance of legislation with retroactive effect is to be found in the Finance Act, 1931, Section 7. In his Budget Speech of that year, the late Mr. Philip Snowden proposed a resolution which imposed a construction of Rule 20 of the General Rules, all Schedules of the Income Tax Act, 1918, with unlimited retrospective effect. At the date of the declaratory resolution litigation on the interpretation of the Rule was actually proceeding.



### *Sur-tax and Estate Duty*

I should like to identify myself with the views expressed by the President of the Institute of Chartered Accountants on two points which he mentioned at the recent annual general meeting of the Institute.

The first is concerned with the fact that the incidence of sur-tax is particularly onerous on income subject to considerable fluctuation.

Sir Russell Kettle suggested that the tax should be imposed on the average income for a period of three or five years. I agree but should like to supplement this proposal by the suggestion that the differential between the totals of income tax and sur-tax payable on earned and unearned incomes of similar amount is inadequate in amount and partial in its effect.

The effective rates of tax on all income in excess of £2,000 per annum are the same, whether the income is earned or not; a disincentive which would be alleviated by the extension of the relief for earned income into the sur-tax field.

The differential in the effective rate of tax between unearned and earned income is at present 1s. 9½d. between £1,000 and £2,000; it drops sharply to 1s. 2½d. at £3,000 and to 8½d. at £5,000. On the basis I propose, the decline would be more gradual, becoming 1s. 6½d. at £3,000 and 1s. 1d. at £5,000.

The second point relates to estate duty, where Sir Russell Kettle pleaded that assessments, at the high rates of duty imposed by the Finance Act, 1949, should be on true or realisable values instead of on notional values as at the date of death. In the case of investments, this suggestion gains significance from the fact that transactions in many quoted stocks occur but rarely, with the result that the "so-called" market price of a particular share at the date of death may well be artificial, having no relation to the intrinsic value of a substantial holding. The reality is that "market price" is a misnomer, the quotation having no more than a retail significance. In a number of instances the Appeal Commissioners have accepted for the purposes of income tax that the quoted price at the accounting date is not a reliable criterion of the value of a large holding of shares.

### *The Profits Tax*

I wish to conclude this part of my address by some comments on the profits tax. This tax has developed from the National Defence Contribution imposed by the Finance Act, 1937. The Contribution was accepted by the late Mr. Neville Chamberlain in substitution for a much more complicated impost which he had proposed in the Budget of that year.

In a foreword to a commentary on the Contribution by the Society at that time, I expressed the view that:

"The National Defence Contribution, in its present form, is, in fact, a revulsion from the more elaborate impost originally imposed. On close study, however, it is found that its simplicity is relative rather than absolute, while, in practical application, anomalies are likely to be the rule rather than the exception, being tolerable only because of the low rate of the duty."

To-day it can be seen that a fiscal expedient introduced shortly before the war and estimated to produce an annual revenue of £20 million at a flat rate of 5 per cent. has developed into a levy which in 1949-50 depleted corporate resources by £260 million, and that at a time when modernisation and expansion of productive capacity were keynotes of official policy.

It is an interesting object lesson in human adaptability to adversity that the anomalies inherent in the tax continue to be tolerated, despite their aggravation by the higher rates now operating.

### CONCLUSION

In conclusion my thanks are due to my colleagues on the Council and particularly to the Vice-President, Mr. C. Percy Barrowcliff, for the generous support they have given me during the past twelve months. Their efforts, however, would have been of little avail but for the excellent service willingly rendered by the officers and staff of the Society. We are very conscious that they have suffered from very uncongenial conditions which we hope may be improved considerably when the Hall is re-opened later in the year.

I now beg to move the adoption of the Report of the Council and the Accounts for the year ended December 31, 1949, and I ask Mr. C. Percy Barrowcliff, the Vice-President, to second the proposition.

## *Letter to the Editor*

### *Depreciation—ad nauseam*

Sir,—Mr. D. Barratt, of Manchester, in his letter under the above heading included in your April issue, produces, I think, a very simple and practical approach to the much-discussed subject of providing for enhanced costs of replacement, where this is a practicable proposition.

May I continue his thought a stage further in examining the position of a limited company which has so provided, and the method of showing that provision in a balance sheet under the Companies Act, 1948? I noticed, with some interest, that the profits so set aside were described by Mr. Barratt as a "replacement reserve." I feel that, in this description, the writer has been influenced by the *Recommendations* of

the Institute of Chartered Accountants, where it is clearly recommended that such "setting aside" should be regarded as an appropriation to reserve rather than a charge against profits. With this view I entirely agree, but I also feel that when it comes to "labelling" such an item in the balance sheet, the Act has different ideas.

If one refers to the definitions in Part IV of the 8th Schedule to the Act, I suggest that it is quite impossible to regard it as a reserve, since it is an amount "retained by way of providing for . . . renewals," and as such it must clearly, for the purposes of the Act, be described as a "provision." It is with some diffidence that I advance this suggestion in view of the *Recommendations*

of the Institute (a body of which I am also a member), and the opinion of Counsel on this very subject, as published by them. This latter is based on other references in the same Schedule to the making of provisions and the charging of the renewal against such provision. It is stated that where there is no intention of charging such cost (or part thereof) against the "provision," then the "provision" is a "reserve." Personally I fail to see the justification for this contention, since, whether it is or is not so charged, the fact remains that the profits set aside have been used in exactly the same manner: though it is true that if they are not so charged then the "provision" becomes a "capital reserve." If they are so charged, on the other hand, the provision merely becomes a "hidden reserve."

Yours faithfully,

C. B. G. TURNER.

London,

May 15, 1950.

# Insuring Against Bad Debts

[CONTRIBUTED]

AN INCREASINGLY IMPORTANT TASK OF THE ACCOUNTANT IS setting-up the bad debt reserve and considering its adequacy in the conditions of to-day and to-morrow.

During the war years there was little or no need to prepare for losses due to an inability to meet engagements. The total of commercial and private failures was low, as it always is during war-time, and those who were caught invariably sought trouble and found it. How different is the position five years after the end of hostilities! In the past two years both commerce and investing public have suffered serious shocks: without the general notice often associated with coming financial difficulties, companies widely accepted as being thoroughly solvent have simply faded out, leaving their trade creditors far from satisfied and their shareholders despondent. When this has happened to well-known firms widespread publicity has followed. But the increasing number of failures of concerns of smaller importance do not hit the Press headlines. The cumulative losses which they force upon their industrial and commercial creditors have to be suffered in silence and patience: silence because opportunity for criticism is of a fleeting nature only and patience because of the hope that there will, in time, be something to salvage from the wrecks.

Credit, of course, is the life-blood of the trading population. In its original meaning the word "credit" implied no more than belief or trust. While this connotation subsists, the word when used in business to-day implies the confidence which a customer enjoys when his supplier releases goods against a promise of settlement at a later date. Failure to implement this confidence involves loss by the creditor of the capital which he had invested in the goods sold: the receipt of too many invitations to meetings of creditors may even spell disaster for the creditor himself. Unfortunately, with the general tightness of money and the increasing volume of rumour, confidence in the security of customers tends to become undermined.

## "UNTAXED BAD DEBT RESERVES"

The remarkable thing about our commercial activity is the insatiable desire to seek insurance protection from "A" to "Y," with the omission of "Z." No manufacturer or merchant will think twice about renewing his fire insurance policy, his burglary and his transit policies and, when he exports, his marine insurance. But how few, having safeguarded themselves through all stages of manufacture to delivery, remember that the whole may be jeopardised during that final but very important period when the goods pass from the control of the seller to his purchaser and when payment is not yet due. If the debtor fails and does not pay, everything that has gone before has been wasted. Some are unaware that the credit risk is as capable as other business risks of being insured;

others, knowing of the facilities available, do not take advantage of them.

To draw attention to this deficiency in the insurance cover and to assess the desirability or otherwise of insuring in given circumstances should surely be the task of the accountant, who is frequently engaged to be commercial adviser and mentor as much as auditor. Reserves for anticipated or expected bad debts cut into operating capital and reserves so created are susceptible to the impact of taxation. The credit insurance policy, on the other hand, may fairly be said to provide for the scientific establishment of a bad debt reserve of unlimited size at a low cost and the annual premiums are subject to tax relief. It is not an extravagance, being a simple method of acquiring unlimited protection against a real contingency. The cost of the protection is known in advance, and the business man, probably aided by his accountant, can weigh up on its merits the advisability of an insurance in his particular circumstances. What is important, is that if he does not insure he should decide deliberately not to do so—he should not let the question simply pass in default.

## WHAT DOES A CREDIT POLICY COVER?

The type of credit insurance which is now enjoying the greatest popularity gives the answer in its name—the Whole Turnover Policy. It covers every contingency involved in the extension of credit facilities by the insured seller to his purchasers, but it cannot be applied to cover transactions which are solely of a financial or an accommodation nature. It affords protection against insolvency on the part of customers and against what is technically termed "protracted default." This means that it covers losses if customers, without reasonable excuse, delay their payments for more than three months after they originally fell due. Most accountants have been faced with the problem of working capital indefinitely tied-up through debts frozen by insolvency. Most have had to devise ways and means of obtaining additional liquid funds with which to meet payment of wages and salaries and other charges, to ensure continued output and sales, and to bring about the recovery of a business which has been crippled, even if temporarily, by illiquidity resulting from bad debts and debts which give every appearance of proving to be bad. The credit insurance policy makes these efforts largely unnecessary, for within thirty days of an insured debt being admitted by a trustee or liquidator against the insolvent estate which is being administered, the insurance indemnity is recoverable. The indemnity does not make good 100 per cent. of bad debts or debts which fall within the heading of "protracted default." The protection afforded varies, usually, from 75 per cent. to 85 per cent. of the gross invoice values. The percentage depends upon the class of business underwritten and the expected degrees of both risk and profit. Accordingly, in industries which

enjoy relatively high profit ratios, the insurance cover will be lower, and vice versa. This variation means that payment of an insurance claim often allows the reinstatement of the capital invested in the goods sold and limits the loss of the insured to little more than the profit he anticipated making on the transaction.

The normal type of insurance offers protection against the risks which are run *after* delivery but there are also other types of cover which protect against losses brought about by failure *before* delivery is made. For instance, the acceptance of an order for goods to be specially designed and manufactured can well involve a time lag of several months between the acceptance of order and the delivery of the finished goods. If, before the work is completed, the customer becomes a bankrupt, these specially-made goods may have to be thrown on to a market in which the current demand is negligible. Re-sale losses so forced upon a manufacturer can damage his finances—and his standing—just as much as the loss through insolvency after delivery.

The risks of contract or re-sale loss are invariably afforded a higher degree of insurance protection, for the reason that whilst there is every likelihood of some salvage on re-selling, the accruing loss will also rank for dividend against the failure.

#### THE PREMIUM

There are various determining factors in the calculation of the annual premium. First and foremost will be the insured's record in recent years in the avoidance of bad debts. The better his experience in credit control, the lower will be his premium rate. Secondly comes the class of customer taking credit terms. Underwriters have their own views on the creditworthiness of different industries, and they quote accordingly. Thus, a merchant selling to the making-up end of the rag trade would pay more heavily than, say, a timber agent selling imported timber to stockists and merchants. Similarly, credits extended to the heavy engineering industry would appeal to underwriters as a more attractive risk than credits granted to the manufacturing furrier. In some cases where past experience shows a steady bad debt ratio, it may be found preferable to take out a policy providing for a "first loss" before liability attaches to the underwriters. With this type of policy the insured will bear the small and expected losses and the policy will provide an indemnity for the larger unexpected ones.

The following table will give some indication of domestic credit cover. (It may be repeated that the net premium for this "bad debt reserve" is subject to taxation relief.)

Trade	Estimated Turnover £	Limit for Internal Approval £	First Loss	Cover Pctge.	Premium Rate Shillings and pence per cent.	Limit of Liability
Enamellers	.. 150,000	500	Nil	80	6/8	No limit
Woollen	.. 500,000	500	Nil	75	6/8	No limit
Manufacturers	.. 750,000	500	Nil	80	4/-	No limit
Worsteds	.. 1,500,000	Nil	Nil	75	2/- for 30 days 10/- for 4 mths.	No limit
Timber Agents	.. 3,000,000	1,000	Nil	75	4/-	No limit
Engineers	.. 750,000	1,000	1/2 p.c.	75	2/6	5 p.c. on turnover
Top Maker						

#### EXPORT BUSINESS

Credit insurance is not limited to domestic transactions. The end of the sellers' market in other countries and the widespread hardening of general commerce has affected importing countries just as much as Great Britain. Those who risk the additional hazards of sending their goods abroad require protection as much as the merchant or manufacturer who sells his goods in the domestic market. Contracts issued by the Export Credits Guarantee Department of the Board of Trade give protection against the normal commercial risks of insolvency and protracted default as well as against the additional and increasing pressure of currency restrictions and of "political" risks—risks covering a very wide range. This Government Department has quite recently introduced a policy designed to provide protection against non-recovery of initial outlay incurred in endeavours to break into the dollar market, a policy which has already aided many British manufacturers to undertake commitments in a market hitherto unbroached.

The political risk in any export transaction may be described generally as everything which, apart from actual insolvency or protracted default, may delay prompt payment. The existence of a state of war might well interfere with payment, without a foreign customer being technically insolvent. Riots or civil commotion abroad might interfere with the transference of moneys due or, more simply, a foreign government might prohibit by legislation the export of currency. Inability to pay is then no fault of the importer, however excellent his intrinsic finances. Fluctuation of currency rates and the probable loss in exchange while an importer awaits his turn in the queue for the allocation of sterling are insurable within the contracts of the Export Credits Guarantee Department.

#### THE LONDON MARKET IN CREDIT INSURANCE

Where the currency and political risks (which are obviously appropriate only to Government underwriting) do not noticeably interfere with the normal transactions of commerce, the facilities of the London insurance market are available for export business. For home business, the market offers full facilities. There is, admittedly, no other source of cover than one specialist insurance company with its head office in London, but this organisation has the backing of leading tariff companies through its re-insurance facilities. These companies, while sharing in the business by way of re-insurance, are content to leave the actual underwriting to the specialised company, whose officials, in the course of years, have acquired an *expertise* in this technical branch of insurance. While most brokers will arrange the placing of credit insurances, here, again, there is one firm which specialises in credit insurance brokerage.

#### COMPLEMENTARY FACILITIES

Under a Whole Turnover Policy there is a minimum of interference with the normal running of a business. The policyholder is required to exercise just as much caution in the extension of credit facilities as he would have done without the backing of the policy. He is, of course, entitled to benefit from the information service which has been formed by the insurers in their underwriting office and within which payment records of many thousands of buyers are recorded. The switch-over from the green light



to the amber is usually discernible in the underwriting office a long way ahead of the showing of the red. While the insurance contract is designed primarily to indemnify against bad debts which cannot be avoided, it also renders much assistance in allowing early evading action to be taken. A timely intimation of possible financial difficulties ahead may be sufficient reason for withdrawing or reducing credit support and thus minimising the ultimate impact when the failure does occur. Some policyholders regard this information service alone as ample compensation for the premiums which they pay.

When accommodation is sought from a bank, it will be found that more sympathetic consideration will be given to the seller who protects himself through credit insurance than to the one who is content to run the risk himself of the increasing dangers of commercial practice to-day.

No attempt has been made in this article to deal with the finer points of credit protection through insurance. Rather, an attempt has been made to bring to the notice of accountants, in a broad fashion, the facilities existing for the benefit of those of their clients who grant credit. The accountant will not seek an agent's commission (although this is payable) but in his principals' interest will be well advised to consider drawing attention to the availability of credit insurance. More detailed consideration of the possibilities which this type of insurance has to offer to the individual business would generally follow such an initial recommendation—and in this consideration the accountant would play a part. It would be for the broker and the underwriter to submit particulars of the policy most suitable to the individual requirements of the business.

## Getting Goods to the Consumer

*The ninth of the economic and social studies published under the aegis of the National Institute of Economic and Social Research is a monumental work on the Distribution of Consumer Goods. The author is Mr. James B. Jefferys. His is real pioneer work, the value of which will become even more apparent when the results of the forthcoming Government Census of Distribution are published. Mr. Jefferys' work will then provide a background and a set of criteria against which to judge the findings of the census and will thus allow trends in distribution practice to be traced and measured. The investigation applies to the year 1938. The choice of that year was made in order to provide a picture of the situation as it existed in a relatively free economy and to avoid the inevitable complications and distortions introduced by governmental controls of distribution and prices and by the scarcities of the war and post-war periods.*

By PAUL BAREAU  
(Assistant City Editor, "News Chronicle")

THIS INVESTIGATION\* FALLS INTO TWO BROAD SECTIONS. The first relates to the structure of the distribution system and the second to its costs. Distribution is taken as the process of "getting goods to the consumer at the right time, in the right place, in the right quantities and at the right price." It involves the whole chain of distribution from the moment at which goods are produced or imported to that at which they are sold to the consumer.

The various distributive chains are segregated into three types. The first and shortest is that in which the manufacturer, grower or importer sells directly to the consumer. A typical instance of this is the baker, who produces his own bread and sells it in his own shop or delivers it himself to the consumer. The second is that in which a retailing organisation intervenes between producer and consumer. A typical instance, again taken from the food group, is that of biscuits, the bulk of which is supplied by manufacturers to the retail shops and then sold to the consumer. The third chain is the longest; it is that in which both wholesaler and retailer intervene. A typical illustration of this is that of potatoes, which go almost exclusively from the grower to the wholesale dealer and thence to the retailer and so to the consumer.

The following table indicates the proportions in which

three main groups of commodities followed each of these three chains.

TABLE I  
Estimated methods of distribution in 1938 of commodities by three main classes and of all commodities included in the inquiry

Commodity division	Estimated consumers' expenditure £ million	Estimated proportions passing from manufacturer, grower or port		
		To wholesaler and then to retailer Percentage	Direct to retailer Percentage	Direct to consumer Percentage
Food and drink	1,386.0	37	58	5
Clothing and footwear ..	429.0	44	56	—
Other goods ..	767.0	41	59	—
All commodities	2,582.0	39.40	57.58	3

The inquiry distinguishes four main types for retail outlets. The first are the multiple shops, the second the co-operative stores, the third the department stores, and the fourth, and by far the largest, the single unit retailers or shops. The proportion of trade handled by each varies enormously according to the products. The unit retailers, for example, sell the bulk of the fresh fruit and vegetables

\* *The Distribution of Consumer Goods*, by J. B. Jefferys. The Cambridge University Press, London. Price 35s. net.

reaching the consumer. Furniture and clothing are more largely distributed by department stores. The multiple shops, which include "tied houses" owned by breweries, dominate in the sale of beer, wines and spirits. The following table shows the way in which consumer expenditure in shops in 1938 was distributed between these various types of outlets in the main categories of goods surveyed.

TABLE II

Estimated national retail sales of consumer goods in 1938 made by different types of retail outlet and the estimated numbers of each type of outlet in the United Kingdom

Type of shop or outlet	Estimated sales		Estimated totals of shops	
	In £ million	As percentage of total sales	Number	As percentage of total number of shops
Unit retailers ..	1,681.0	66.0	657,000	88.0
Multiple shops	480.0	18.5	66,000	9.0
Co-operative shops ..	258.0	10.0	24,000	3.0
Department stores ..	136.0	5.5	425	—
Total ..	2,555.0	100.0	748,000	100.0

Costs of distribution were studied in very considerable detail and an elaborate coloured chart shows, for each article studied, what proportion these total distribution costs bear to the prices paid by the consumer. The proportion varies within a wide range of percentages, the lowest being 14 per cent. for sugar and the highest 76 per cent. for contraceptives. The proportion was 69 per cent. for London morning papers, 50 per cent. for furniture, 40 per cent. for cocoa. It fell steadily into the 20 per cents. for staple articles of food, including meat, canned fruit, treacle, flour, bacon, cheese, bread and butter.

Another coloured chart gives the division of distribution costs between the three sectors—producers, wholesalers and retailers: this information is summarised in the following table:

TABLE III

Estimated total distribution costs of commodities by three main classes and of all commodities included in the inquiry

Commodity division	Consumers' expenditure £ million	Total distribution costs as proportion of consumers' expenditure Percentage	Producers', wholesalers' and importers', and retailers' distribution costs or gross margins as a proportion of consumers' expenditure		
			Producers Percentage	Wholesalers and importers Percentage	Retailers Percentage
Food and drink	1,386.0	32	3.5	4.0	24.5
Clothing and footwear ..	429.0	42.5	4.0	5.0	33.5
Other goods ..	767.0	42.0	9.0	4.0	29.0
All commodities	2,582.0	35.39	5.6	4.5	26.28

These figures must be read with some care and reservations. The small share of total costs incurred by wholesalers, for example, does not indicate the size of the wholesalers' gross margin. Where mail order or door-to-door sales are important, the producers' distribution costs bear a relatively large proportion of the total, and wholesalers' and retailers' costs a smaller proportion—but again these proportions must not be confused with the producers', wholesalers' or retailers' margins. A clearer indication of the ratio of wholesalers' and retailers' costs to their respective turnover (restricted to goods passing through wholesalers) is provided by the following table:

TABLE IV

Estimated margins of wholesalers and retailers in 1938 on goods passing through wholesalers, by three main divisions and for all commodities

Commodity or group	Estimated consumers' expenditure £ million	Gross margins as a percentage of consumers' expenditure		Gross margin of wholesalers as a percentage of wholesale sales Percentage
		Wholesalers Percentage	Retailers Percentage	
Food and drink	518.0	9.0	23.0	11.5
Clothing ..	189.0	11.5	32.0	17.0
Other goods ..	319.0	8.0	25.5	10.5
All commodities	1,026.0	9.9.5	25.25.5	12.12.5

The inquiry provides a pioneer description of the structure of the retailing end of the distribution chain. It is estimated that in 1938 there were about 750,000 retail shops selling finished consumer goods. Of this total only 450 were department stores, 66,000 were branches of multiple shop organisations, 24,000 were co-operative stores and co-operative travelling shops, and the large balance of about 667,000 were unit retail shops. In addition, there were some 250,000 establishments whose main activity was devoted to the sale of services, such as the serving of meals in cafés or the provision of services in hairdressing establishments, but which as a sideline also sold consumer goods such as cakes in the former and cosmetics in the latter. There were therefore nearly one million shops selling consumer goods in 1938, apart from an undefined but considerable number of barrows and open-air stalls. The inquiry makes some rough estimates of the turnover of trade done by shops in each of these categories. The annual turnover is put at £1,500 for small unit shops in side streets and for open-air stalls and barrows. It rises to between £5,000 and £5,500 for retail shops in main streets. Multiple shops, excluding the larger chain stores, took on an average £6,000 a year, co-operative stores between £10,000 and £11,000, the larger chain stores between £75,000 and £85,000, and department stores about £300,000.

The cost of distribution of all finished consumer goods in the United Kingdom is estimated to have amounted to approximately £970 million in 1938, or around 38 per cent. of the total consumer expenditure in that year. Of this figure between £150 and £160 million was incurred by producers, between £110 and £120 million was the gross

margin of wholesalers, and about £700 million was the margin of retailers. Only tentative estimates are given of the split-up in the costs of distribution into their main components. In the case of producers' costs, about one-quarter was represented by advertising and between one-fifth and one-quarter by packing, transport and delivery. The balance was represented by warehousing, salaries, administrative costs and profits. In the case of wholesalers' costs, between 50 and 60 per cent. was represented by wages and salaries, followed by transport, which took between 10 and 15 per cent., and rentals and similar items, which absorbed between 8 and 13 per cent. Wages and salaries were also the most important constituent of retailers' costs, taking between 45 and 55 per cent., while their rent and occupancy costs were between 15 and 20 per cent. of their total costs.

In the course of his inquiry the author asks: "Does distribution cost too much?" His answer is that this is a "mistaken and twentieth-century question." He points out that with the growing separation of the producer from the consumer, both in time and space, the costs of distribution are bound to increase. The cost of distribution, measured by the proportion of the price paid by the consumer, is obviously higher to-day than it was, say, half a century ago, and it will probably be higher still 50 years hence. That increase is a measure of the immense improve-

ment which has taken place in the distributive system, of the greater variety of goods available and of the much improved service provided by the whole chain of distribution. For the greater part of the population shops are now found ready to hand. The monthly shopping expedition to the nearest town is no longer the norm. Instead of keeping large supplies at home, we keep them on the shelves of the nearest shops, where they are always available, fresh, well packed and in convenient amounts. The increase in the proportion of distribution costs is thus a measure of the higher standard of well-being of the community, of the greater diversification of the economy, of the evolution of the community from primitive self-sufficiency to highly developed distribution of labour and specialisation.

There can be no disputing this general proposition. Nonetheless it is justifiable to question whether, in fact, the proportion of consumer price engulfed by distribution costs is consonant with the services involved, whether, in other words, the distributive system is as efficient as it should be. That is a subject which, for clear and self-sufficient reasons, this investigation does not pursue. The author was mainly concerned to provide a factual survey. This he has done, with immense abundance of material and the greatest possible care in its accurate presentation. His survey, however, is the point from which the real debate should, and no doubt will, begin.

## TAXATION

### The Finance Bill

THE PUBLICATION OF THE FINANCE BILL MAKES IT NECESSARY to add a number of points to those given in our article (ACCOUNTANCY, May, page 151) on the Budget speech and resolutions published. The additional items are not without interest.

Firstly, however, let us recapitulate the routine details:

The standard rate for 1950-51 remains at 9s. in the £, but the "reduced rates" are to be: £50 at 2s. 6d., and £200 at 5s. in the £.

Small income exemption remains at £135; the marginal relief is such that the tax payable on incomes between £135 and £165 is not to exceed one-quarter (formerly three-tenths) of the excess of the income over £135.

Sur-tax rates for 1949-50 are the same as for the preceding year.

The mills, factories, etc., allowance is continued (optionally) until 1955-56 (extending Section 7 (2) of the Income Tax Act, 1945).

#### CONSIDERATION FOR RESTRICTIVE COVENANTS

Any consideration to an office (or employment) holder (who is assessable under Schedule E on the emoluments of

the office) in respect of an undertaking by him in connection with the office, the tenor or effect of which is to restrict him in his conduct or activities, is to rank as assessable to sur-tax for 1949-50 onwards, and is to be grossed.

The same result follows if the consideration goes to another person; the assessment will be on the office-holder. If the individual has died before the payment of the consideration, it will be regarded as paid immediately before the death. Consideration otherwise than in cash must be valued.

The payer is liable to notify the Inspector of Taxes within a month of the end of the year of assessment concerned.

The mere assumption of an obligation to make over or provide valuable property, rights or advantages is not included in "consideration," but the doing of anything in or towards the discharge of such an obligation is included.

#### WAYLEAVES, ETC., FOR ELECTRIC LINES

Rent in respect of any easement enjoyed in the United Kingdom in connection with any electric, telegraphic or telephonic wire or cable not already within Section 21, Finance Act, 1934, is brought within that Section.



The rent will be taxed by deduction at source as if it were a patent royalty.

If, however, the rent in question does not exceed £2 10s. a year, the payer may elect to pay the rent gross. Any rent paid gross (whether under the "fifty shillings" rule or not) is to be charged on the recipient under Case III of Schedule D, unless chargeable under General Rule 21 on the payer. The Section is deemed always to have had effect, but any rent paid without deduction of tax prior to April 19, 1950, will not be affected in any case where the Commissioners had determined a case on appeal before that date, or where any appeal made before that date was still undetermined at that date.

#### HUSBANDS AND WIVES

Several cases decided in the Courts in recent years have made it highly desirable to tidy up the income tax position of husbands and wives. The Bill tackles this.

The following existing provisions are to be repealed :

- (a) General Rule 16 ;
- (b) Section 25, Finance Act, 1920, and the proviso to Section 15 (3), Finance Act, 1925.
- (c) So much of the definition of "incapacitated person" in Section 237, Income Tax Act, 1918, as requires a married woman, as such, to be treated as an incapacitated person.
- (d) In Section 103 (1) (c), Income Tax Act, 1918, the words "living with her husband or a married woman whose husband is not accountable for the payment of any tax charged on her."

The following is a summary of what is to take the place of the above provisions :

- (1) A woman's income for any period during which she is married and living with her husband is to be deemed to be his income and not hers. (This does not affect the question of whether there is any income of hers, or the amount thereof for tax purposes.)
- (2) Any tax assessable on such income is to be assessable on the husband. (This does not affect the assessment on a partnership in which she is a partner.)
- (3) The following allowances must go against the wife's earned income :
  - (a) Additional personal allowances ("Wife's earned income relief") ;
  - (b) Any earned income allowance which could not have been made but for the existence of the wife's earned income ;
  - (c) Reduced rate relief on such earned income.
- (4) Where separate assessment is claimed, the allowances are to be apportioned as follows :

<i>Allowance</i>	<i>Apportionment</i>
(a) Earned Income	In proportion to respective earned incomes
(b) Age	In proportion to respective total incomes
(c) Life Assurance	Not apportioned : allowance to spouse paying the premium
(d) Dependent Relative	To spouse maintaining
(e) Adopted child	To spouse maintaining

#### *Allowance*

- (f) Other allowances, i.e., personal, additional personal, children of the marriage and step-children, housekeeper, reduced rate, and marginal relief where the total income is between £135 and £165

#### *Apportionment*

In proportion to the tax that would have been payable had the only reliefs been those under (a) and (b) above

It is important to note, however, that the amount of the reliefs in terms of tax allocated to the wife under the above is not to be less than that which would have accrued to her had there been no separate assessment.

Where the reduction of tax allocated to one spouse as above exceeds the income tax (excluding sur-tax) chargeable on the other, the balance is to be applied to reduce the tax chargeable on the income of the other spouse.

Returns of the total incomes of husband and wife may be made by either, but the Commissioners of Inland Revenue may require a return from both, and may require a return at any time.

- (5) Where at any time and for any year (past, present or future) an assessment has been made on a man (or his trustee, etc.), and, in the case of income tax (standard rate), the Commissioners of Inland Revenue or, in the case of sur-tax, the Special Commissioners, consider that if separate assessment had been in force, an assessment in respect of, or of part of, the same income would have fallen on the wife (or her trustee, etc.), and the tax due is not paid by the 28th day after the due date, they may serve a notice on the wife (or her executors, etc., where relevant) requiring payment of the imposed tax up to that appropriate to her income, with details of the computation. This assessment will be deemed to be made on the date of the notice. Appeal will be competent but not on any ground already decided on an appeal against the original assessment.

The tax so recoverable from the wife will cease to be recoverable under the original assessment.

- (6) A married woman will be deemed to be living with her husband unless either—
  - (a) they are separated under a Court Order or by deed of separation ; or
  - (b) they are in fact separated in such circumstances that the separation is likely to be permanent.
- (7) Where a married woman is living with her husband and either—
  - (a) one of them is resident in the United Kingdom for the year of assessment and the other is not, or
  - (b) both are resident in the United Kingdom but one of them is, and the other is not, absent from the United Kingdom for the whole year of assessment,
 the same consequences are to ensue as if they had in fact been permanently separated for that year.

This provision is not to increase the aggregate income tax, including sur-tax.

#### CHARITIES

Where the Revenue have treated a body of persons as established for charitable purposes only, and on April 6, 1950, that body satisfied the conditions required by law for it to be so treated, it is to be regarded as having satisfied those conditions for earlier years, notwithstanding that it had to alter its memorandum of association or other regulating instrument to that end. This is to apply both for income tax and for stamp duties.

Relief similar to that afforded to charities in respect of income tax and stamp duties is to be given to certain scientific research associations.

#### ENEMY DEBTS

Any recovery of an enemy debt that was allowed as a deduction for excess profits tax or profits tax (national defence contribution) from April 1, 1939 to December 31, 1946, that is, the excess of the amount recovered over any amount not so allowed, is to be regarded as if it had not been allowed. Computations for excess profits tax, national defence contribution and income tax (including sur-tax) are to be reopened and excess profits tax post-war refunds adjusted.

#### ESTATE DUTY

On any death after April 18, 1950 (no matter when the relevant interest was disposed of or determined), where an interest limited to cease on a death (within the meaning of Section 43, Finance Act, 1940, which is slightly amended and which exempts from estate duty *bona fide* dispositions, etc., outside the statutory period of five years, or one year for charitable or public purposes) has been disposed of or has determined, *bona fide* possession and enjoyment is not to be deemed to be assumed immediately thereafter and thenceforward retained to the entire seclusion of the person who had the interest and of any benefit to him, if at any time thereafter he has a benefit by any operations associated with the disposition or determination. Such a benefit will not be outside the "benefits reserved" for the purposes of Section 59 (3), Finance (1909-10) Act, 1910.

"Operations associated" refer to any associated operations as defined by Section 59, Finance Act, 1940, of which the disposition is one.

Where an interest limited to cease on a death (within the meaning of Section 43, Finance Act, 1940, as amended), after becoming an interest in possession, is disposed of or determines wholly or partly, trustees are liable for the estate duty. There are savings for *bona fide* advances to infant beneficiaries, etc.

Section 44 (1) of the Finance Act, 1940, is amended so that any disposition by a deceased dying after April 18, 1950, in favour of a relative is to be treated as a gift for estate duty purposes unless—

- (a) the disposition was made for full consideration for the deceased's own use and benefit; or
- (b) the deceased was concerned in a fiduciary capacity (and in that only) imposed upon him otherwise than by a disposition made by him.

If consideration was partial, its value is to be deducted from the value of the property. The creation of an annuity or life interest in favour of a relative is not consideration.

If a controlled company is concerned, the above exemption (a) applies only to any extent that the Commissioners of Inland Revenue are satisfied that the exemption would be effective if the assets of the company had been held by it on trust for its members and any other persons to whom it is under a liability incurred otherwise than for the purposes of its business, in accordance with the rights attached to its shares and debentures and the terms of the

liability, and the company had acted as a trustee only with power to carry on the company's business and employ its assets therein.

A gift made in favour of the deceased's relative by a company controlled by the deceased at the time of the gift is to be treated as a gift by the deceased.

The provisions of Section 51, Finance Act, 1940, to provide for preventing duplication of the charge for estate duty on certain controlled companies, are amended in cases where the deceased, within five years before his death, disposed of shares or debentures of the company for consideration paid for his own use or benefit, and any benefits accrued to the deceased from the company by virtue of those shares or debentures (or by virtue of powers exercised in relation to such shares, etc.); then—

- (a) if the consideration is equal to or greater than the proportion of the value of the company's assets corresponding to the benefits, duty on the proportion is not to be payable;
- (b) in any other case, the amount on which duty is to be charged on the said proportion is to be reduced by the value of the consideration.

It is provided, however, that these provisions are not to apply to shares or debentures where estate duty is payable on their value (or any part thereof) or would be so paid but for an exemption from estate duty.

#### OBJECTS OF NATIONAL, SCIENTIFIC, HISTORIC OR ARTISTIC INTEREST

Exemption from estate duty will in future apply only if an undertaking is given to the Treasury that, until the objects pass again on a death or are sold, they will be kept in the United Kingdom (except when authorised by the Treasury to leave it), be properly preserved, and be available for inspection by the Treasury.

If the undertaking is broken, estate duty can be charged at once on the value at that time, at the rate of estate duty payable on the last death, and if the articles are subsequently sold, no estate duty will then arise.

### Northern Ireland Finances

THE ESTIMATED TOTAL REVENUE OF NORTHERN IRELAND FOR 1950-51 is £63,577,000. Expenditure is estimated at £47,504,000. After allowing for a surplus of £73,000, the Imperial contribution to the United Kingdom Exchequer is £16 million, a reduction of £4 million on that provisionally fixed for last year.

"This sharp reduction in the contribution," said the Minister of Finance (Major J. M. Sinclair), "is a matter which should give all of us food for thought. We have embarked in recent years, whether rightly or wrongly, on vast schemes of social betterment or welfare in conformity with the parity principle. Bearing that principle in mind, it would seem to be right that our Northern Ireland people should derive the same benefits as citizens of Great Britain. It would be wrong to judge the success or otherwise of such services by the amount *per capita* expended. In this small area it should, I am certain, be possible for us to give equal services at a lower cost per head."

It is proposed to exempt from entertainments duty races for motor vehicles and motor cycles held on public roads and to give some minor concessions in motor taxation on vehicles, primarily those of local authorities.

# Wear and Tear Allowances

We give below a complete and revised list of wear and tear allowances on plant and machinery, together with General Notes, as issued by the Inland Revenue. The list and the Notes are reproduced with special permission from the publication "Income Tax Wear and Tear Allowances for Machinery or Plant" (price 10s. 6d.), which is published by H. M. Stationery Office under Crown copyright.

## General Notes

1. ANNUAL ALLOWANCES FOR WEAR AND TEAR OF MACHINERY OR PLANT FOR THE YEAR 1949-50 AND SUBSEQUENT YEARS (AND FOR THE YEARS 1947-48 and 1948-49 where the assessment in which the allowance is made had not become final and conclusive before April 6, 1949) are required to be calculated in accordance with the provisions of Section 21 of, and the Sixth Schedule to, the Finance Act, 1949. Under these provisions the allowances may be computed either on the normal (reducing balance) method or the alternative (straight line) method.\*

2. Under the law previously in force, annual allowances were normally required to be computed by taking five-fourths of the amount considered by the Commissioners of Income Tax having jurisdiction in the matter to be just and reasonable as representing the wear and tear for the year. In practice, this amount was usually computed by the application of an agreed percentage rate to either the written-down value or the prime cost of the machinery or plant. The Finance Act, 1949, thus gives statutory force to the previous practice.

3. Where the normal (reducing balance) method is adopted, the first annual allowance is computed by applying five-fourths of the basic percentage rate to the capital expenditure on the machinery or plant, and subsequent annual allowances by applying five-fourths of the basic percentage rate to the "written-down value," i.e., to the amount by which the capital expenditure on the machinery or plant exceeds the total amount of any initial allowance, annual allowances,† relevant exceptional depreciation allowances and scientific research allowances for previous years of assessment.

Where the alternative (straight line) method is adopted, the annual allowance is computed each year by applying five-fourths of the basic percentage rate (which will be lower than the corresponding "reducing balance" rate) to the capital expenditure on the machinery or plant.

4. Under the Finance Act, 1949, the percentage rates for classes of machinery or plant are to be determined by the Commissioners of Inland Revenue, subject to a right of appeal to the Board of Referees. Percentage rates for classes of machinery or plant which were commonly in use for the year 1948-49 remain in force unless and until the Commissioners of Inland Revenue determine that they are no longer appropriate.

5. For the normal (reducing balance) method the basic rate, as a general rule, is the percentage which in the opinion of the Commissioners of Inland Revenue may fairly be taken as the percentage which, when applied on the "reducing balance" basis, would write down the cost of the machinery or plant, over its anticipated normal working life, to a residual fraction of one-tenth. But if a percentage rate that was generally in use for a class of machinery or plant for 1948-49 would, over the anticipated normal working life estimated as if during that year, have written the cost down to a lower fraction than one-tenth, that lower fraction is substituted for one-tenth as the residual fraction to be taken in computing a basic rate for that class of machinery or plant.

In computing a "reducing balance" basic rate no account is taken of initial allowances or of the fact that actual allowances are given at five-fourths of the basic rate. Thus, if the anticipated working life of a class of machinery or plant were 30 years, the rate which, applied by itself on "reducing balance" lines, would write down the cost to one-tenth in 30 years is 7.37 per cent. In practice this figure would be rounded off and the appropriate basic rate determined as  $7\frac{1}{2}$  per cent.

The anticipated normal working life of machinery or plant of any class is defined as the period which might be expected, when machinery or plant of that class is first put into use, to be going to elapse before it is finally put out of use as being unfit for further use, it being assumed that it is going to be used in the normal manner and to the normal extent and is going to be so used throughout that period.

6. For the alternative (straight line) method the basic rate, as a general rule, is the percentage which, in the opinion of the Commissioners of Inland Revenue, is equal to nine-tenths of the fraction

I

### Anticipated normal working life.

If, however, a "straight line" rate that was commonly in use for a class of machinery or plant for 1948-49 bears to the above fraction (computed on the basis of anticipated normal working life estimated as if during 1948-49) a higher proportion than nine-tenths, the calculation is to be made as if for nine-tenths there were substituted such higher proportion.

In the case of a class of machinery or plant with an anticipated normal working life of 30 years, the normal "straight line" basic rate would thus be :

$$\frac{9}{10} \times \frac{1}{30} \times 100\% = 3\%$$

This rate, like the corresponding "reducing balance" rate, would write down the cost to a residual fraction of one-tenth in 30 years.

In determining percentage rates on the alternative (straight line) method, machinery or plant bought second-hand may be treated as a separate class. In relation to such machinery or plant, the reference in the definition of "anticipated normal working life" (see paragraph 5) to the first putting into use of the machinery or plant is to be construed as a reference to the first putting into use after its acquisition second-hand.

7. If it is desired to adopt the alternative (straight line) method, an election to that effect must be made when the annual allowance is claimed. The adoption of this method is conditional on the Commissioners of Inland Revenue being satisfied that such records will be kept and made available for inspection as will enable them to ensure that the total annual allowances made will not exceed the limit to the amount of the allowances to be given.

\* The Act also prescribes a special method which may be adopted for machinery or plant used in connection with mines, etc.

† The additional allowances that were granted for years before April 6, 1946, under Section 18, Finance Act, 1932, and Section 22, Finance Act, 1938, are not deducted in arriving at "written-down value."



Special provisions apply where the alternative (straight line) method is adopted, and for a previous year or years of assessment annual allowances in respect of the machinery or plant in question were made on the normal (reducing balance) method.

8. Percentage rates may be subject to adjustment if it appears that the wear and tear is greater or less than that which might be expected to be caused by normal use, for example, where there are special circumstances such as double shift working, or limited user because of plant being temporarily out of ordinary use.

9. The percentage rates in the following list (apart from those for the cotton spinning industry and for motor cars, neon light signs and welfare equipment) were agreed by the Board of Inland Revenue with an association or associations representing the users of the machinery or plant. Except where otherwise indicated, the rates given in the list have been operative since the year 1947-48 or earlier.

10. The percentage rates, except where otherwise indicated, are the rates to be used where the calculation is made on the normal (reducing balance) method (see paragraph 3).

11. All additions to, and renewals and replacements of, machinery or plant in respect of which an allowance for wear and tear is made are treated as capital outlay, except that renewals and replacements of parts which do not destroy the identity of the machinery or plant are allowed as a business expense.

12. A leaflet issued by the Board of Inland Revenue—*Notes on Allowances for Machinery or Plant\** (No. 430 (1950))—explains the main features of the law and practice relating to such allowances, including the changes made by the Finance Act, 1949. Copies of this leaflet, and further information on the subject of wear and tear allowances, may be obtained from the office of the local Inspector of Taxes.

\* See note on page 206 of this issue of ACCOUNTANCY.—Editor.

## LIST OF PERCENTAGE RATES

(In computing annual allowances, the percentage rates shown in this list should be multiplied by five-fourths)

	PERCENTAGE (to be multiplied by 5/4ths in computing allowances)		PERCENTAGE (to be multiplied by 5/4ths in computing allowances)
<b>AIRCRAFT</b>		<b>BLEACHING AND FINISHING</b>	
<i>Percentages for application on the alternative (straight line) basis :</i>		Machinery or plant generally .. ..	7½
New aircraft, including engines .. ..	16	<b>BLOUSEMAKING</b>	
Second-hand aircraft. The percentage rate equal to the fraction :		<i>See Clothing—Light (Ladies' and Children's).</i>	
$\frac{1}{1}$		<b>BOLT, NUT, SCREW AND RIVET MANUFACTURE</b>	
Estimated unexpired life of the aircraft		Machinery or plant generally .. ..	10
For this purpose the unexpired life is taken to be :		Electric furnaces .. .. .	12½
(a) the difference between seven years and the period between the date of original delivery of the aircraft and the date of its purchase by the new owner, or		<i>Notes : (a) Machinery or plant generally.—The rate of 10 per cent. is regarded as covering all conditions of working up to and including a complete double shift. Where the working exceeds a complete double shift increased rates may be appropriate.</i>	
(b) two years,		<i>(b) Electric furnaces.—The rate of 12½ per cent. is regarded as covering all conditions of working.</i>	
<i>whichever is the greater.</i>		<i>(c) Furnaces (other than electric furnaces), taps and dies are dealt with on a renewals basis.</i>	
<b>AIRCRAFT AND AIRCRAFT ENGINE MANUFACTURE</b>		<b>BOOKBINDING</b>	
High-speed precision plant, heat treatment, plating and electric welding plant ..	12½	Engines, boilers and shafting ..	5
Other machinery or plant .. ..	7½	General binding machinery or plant ..	7½
Accounting machines .. .. .	10	<b>BRASSFOUNDING</b>	
Motor cars and lorries .. .. .	20	Engines, boilers and shafting .. ..	5
<i>Note : Where working of the machinery or plant exceeds a complete double shift increased rates may be appropriate.</i>		Electric motors, dynamos and other electrical plant .. .. .	7½
<b>APRON MAKING</b>		Other machinery or plant .. .. .	7
<i>See Clothing—Light (Ladies' and Children's).</i>		<b>BRICK MANUFACTURE</b>	
<b>ARTIFICIAL SILK</b>		<i>See Building Brick Manufacture and Heavy Clay Industry.</i>	
<i>See Silk Manufacture.</i>		<b>BUILDING BRICK MANUFACTURE</b>	
<b>BAKERY</b>		Steam engines, boilers, shafting and mixing and brick-making machines .. ..	5
Machinery or plant generally .. ..	8	Electrical plant (dynamos, motors, transformers, etc.) .. .. .	7½
<i>Note : An increased allowance, depending on the facts of the individual case, is made to meet abnormally long working hours and increased production.</i>		Crushing and grinding plant .. ..	7½
		Kilns (and <i>see</i> notes below) .. ..	10

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Notes: (a) Greenhouses, tunnel dryers and drying sheds, of a specialised type not forming part of any other structure and constructed and used throughout solely for brick or clay drying purposes, are eligible for a renewals allowance.

(b) Kilns include kiln chimneys where an integral part of a kiln (so that the kiln cannot be separately renewed) for the purpose either of a wear and tear or a renewal allowance. No allowance is made for wear and tear on, or the complete renewal of, a chimney forming a separate unit.

(c) Where wear and tear is allowed, allowances for renewal of parts of a kiln are not to include the cost of complete rebuilding of the furnace zone of a continuous oven or kiln, but the appropriate obsolescence or balancing allowance may be made.

(d) In the case of a continuous oven or kiln, wear and tear and written-down value of ancillary machinery, etc., are separately calculated by reference to the rate or rates applicable to that machinery.

#### CHEMICAL MANUFACTURE

Chemical plant other than sulphuric acid plant .. .. .	7½
Electrical plant .. .. .	7½
Other machinery or plant .. .. .	5

See also Sulphuric Acid Manufacture.

#### CHILDREN'S CLOTHING

See Clothing—Light (Ladies' and Children's).

#### CINEMAS

Projectors .. .. .	15
Organs .. .. .	7½
Seating .. .. .	7½

#### CLAY INDUSTRIES

See Building Brick Manufacture, Heavy Clay Industry and Pottery Manufacture.

#### CLEANING

See Dyeing and Cleaning.

#### CLOTHING—HEAVY (MEN'S)

All machinery or plant .. .. .	9
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Note: The normal rate may be increased to 11½ per cent. on machinery or plant used mainly for work on Army clothing contracts.

#### CLOTHING—LIGHT (LADIES' AND CHILDREN'S)

Engines, boilers and shafting .. .. .	5
Electric motors .. .. .	7½
General machinery (process plant) .. .. .	10

#### COKE PRODUCTION

Coke-ovens and ancillary plant .. .. .	12½
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#### COLD STORES

See Ice Manufacture and Cold Stores.

#### COLLIERIES

Surface machinery or plant, other than electrical plant .. .. .	6½
Electrical plant at the surface and all underground plant installed in the shaft pillar .. .. .	7½
Other underground plant .. .. .	10
Steam lorries .. .. .	15

Motor lorries .. .. .	20
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#### COLOUR MANUFACTURE

See Paint, Colour and Varnish Manufacture.

#### CORSET MANUFACTURE

Engines, boilers and shafting .. .. .	5
Laundry and cutting machinery or plant .. .. .	7½
Electric motors .. .. .	7½
Other machinery or plant .. .. .	10
Motor vans .. .. .	20

#### COTTON SPINNING AND MANUFACTURE

Motive power plant .. .. .	5
Process machinery .. .. .	7½

#### CREAMERIES, DAIRIES AND ICE CREAM FACTORIES

Steam boilers, steam and gas engines and storage tanks .. .. .	5
Refrigerating plant (except iceless cabinets) and bottling and washing machines .. .. .	10
Iceless cabinets .. .. .	15
Other machinery or plant, including electric motors .. .. .	7½

Note: Loose plant, box cycles, utensils (churns, bottles, etc.) and piping are dealt with on a renewals basis.

#### CROCHET HOOK MANUFACTURE

Engines, boilers and shafting .. .. .	5
Other machinery or plant .. .. .	6
Electric motors .. .. .	7½

#### CUTLERY BLANKS, GOFFING, FORGING AND STAMPING OF

Electric motors, grinding machines, drop hammers, goff hammers and power stamps .. .. .	7½
All other machinery or plant .. .. .	5

Note: Grinding and other wheels, utensils, belting, electric cables and furnaces are dealt with on a renewals basis.

#### CUTLERY MANUFACTURE

Electric motors, knife-grinding machines, drop hammers, power hammers, power stamps and buffing and glazing machines .. .. .	7½
All other machinery or plant .. .. .	5

Notes: (a) In the application of paragraph 11 of the General Notes, each of the constituent parts of a cutler's frame (e.g., beams, brackets, shafting and pulleys) is treated as a separate machine.

(b) Emery, glazing and other wheels, utensils, belting, electric cables and furnaces are dealt with on a renewals basis.

#### DAIRIES

See Creameries, Dairies and Ice Cream Factories.

DIESEL ELECTRIC GENERATING PLANT* (from 1948-49) .. .. .	15
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#### DROP FORGINGS MANUFACTURE

Machinery or plant generally, including

\* Not confined to a specific industry.

	PERCENTAGE (to be multiplied by 5/4ths in computing allowances)
that in the tool and die shops .. ..	7½
<i>Note</i> : Furnaces are dealt with on a renewals basis.	
<b>DYEING AND CLEANING</b>	
Machinery or plant generally .. ..	10
Motor vans .. ..	20
<b>DYEING AND FINISHING</b>	
Machinery or plant generally .. ..	7½
<b>DYESTUFFS (SYNTHETIC) MANUFACTURE</b>	
Locomotives .. ..	4
Boilers, steam engines and shafting ..	5
Coal-handling plant and feed pumps ..	5
Rails of railway sidings .. ..	6
Electric motors and dynamos .. ..	7½
Ice-making plant (excluding any steam power plant) .. ..	7½
Open railway wagons used exclusively for conveyance of specially deleterious substances .. ..	7½
All other machinery or plant .. ..	15
<i>Notes</i> : (a) In the application of paragraph 11 of the General Notes, each of the constituent parts (e.g., vats, autoclaves, etc.) of a battery constituting a single unit, and each rail of the railway sidings, is treated as a separate machine.	
(b) Nitric acid plant and plant consisting of glass, silica, earthenware or other similar material as distinct from metal, pipes, electric cables and railway sidings (except the rails) are dealt with on a renewals basis.	
<b>ELECTRIC FURNACES*</b>	
All parts of the furnace, including transformers, switchgear, high and low tension cable connections, furnaces, tilting gear and regulators .. ..	12½
<i>Note</i> : No wear and tear allowance is made in respect of foundations or buildings. Cranes, buckets, shop tools and equipment are dealt with on a renewals basis.	
<b>ENGINEERS' PRECISION TOOL MANUFACTURE</b>	
<i>See</i> Machine Tool Manufacture.	
<b>ENVELOPE MAKING</b>	
Steam power plant and shafting .. ..	5
Electrical power plant, including dynamos and motors .. ..	7½
All machinery used for the purpose of making envelopes .. ..	7½
Motor lorries and motor vans .. ..	20
<b>FARMING</b>	
Steam boilers and engines, portable steam engines, threshing machines (except peg-drum threshing machines) and fixed plant .. ..	5
Electrical installations .. ..	7½
Steam lorries .. ..	15
Binders, reapers and combine harvesters ..	15
Sugar beet and potato harvesters and diggers .. ..	20
Motor lorries and motor vans .. ..	20

\* Not confined to a specific industry.

	PERCENTAGE (to be multiplied by 5/4ths in computing allowances)
Petrol- or oil-driven tractor-cultivators ..	22½
Sprayers and flax-pulling machines ..	25
All other types of farm machinery and implements, including portable poultry (and similar) sheds and incubators and peg-drum threshing machines .. ..	10
<i>Notes</i> : (a) Minor loose plant and utensils are dealt with on a renewals basis.	
(b) Allowance is granted in respect of motor cars used for business purposes at the same rate as for motor lorries, restricted, however, to the proportionate part applicable to such use.	
<b>FERTILISER MANUFACTURE</b>	
Engines, boilers and shafting .. ..	5
Acid plant .. ..	15
Superphosphate plant .. ..	12½
Other machinery or plant .. ..	10
<i>Note</i> : The rates cover all conditions of working <i>except</i> as regards "superphosphate plant" and "other machinery or plant," the rates for which are increased by one-quarter where the machinery or plant is worked continuously, i.e., treble shift or double shift plus overtime.	
<b>FIBRE ROPE, NET AND TWINE MANUFACTURE</b>	
Steam and/or water motive power plant	5
Rope walk machinery or plant .. ..	5
Electrical machinery or plant .. ..	7½
Diesel engines .. ..	10
Process machinery or plant purchased new after April 5, 1930 .. ..	10
Other process machinery or plant .. ..	7½
<b>FILE AND RASP MANUFACTURE</b>	
File cutting and rasp punching machines	6½
Electric motors, grinding machines, drop hammers, goff hammers and power stamps .. ..	7½
All other machinery or plant .. ..	5
<i>Note</i> : Grinding and other wheels, utensils, belting, electric cables and furnaces are dealt with on a renewals basis.	
<b>FISHING TACKLE MANUFACTURE</b>	
Engines, boilers and shafting .. ..	5
Fishing hook and rod-making machinery	6
Electric motors .. ..	7½
<b>FLAX SPINNING AND LINEN WEAVING</b>	
Machinery or plant generally .. ..	7½
<i>Note</i> : Accessory plant such as pirns, pirn cages, spools, belting, driving ropes, damask cards, designs, patterns, models, furniture and fixtures is dealt with on a renewals basis.	
<b>FLOCK MANUFACTURE</b>	
Motive machinery or plant—steam or water .. ..	5
Other machinery or plant .. ..	7½
<i>Note</i> : The rates are regarded as covering circumstances of overtime or continuous working.	
<b>FLOOR CLOTH MANUFACTURE</b>	
<i>See</i> Linoleum and Floor Cloth Manufacture.	



PERCENTAGE  
(to be multiplied by  
5/4ths in computing  
allowances)

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(to be multiplied by  
5/4ths in computing  
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#### FLOUR MILLING

Steam power plant and shafting .. ..	5
Electric motors and other electrical plant, gas and oil engines (other than Diesel type engines), roller mills, automatic weighers, elevators and conveyors (with legging) and spouting .. .. .	7½
Other machinery or plant, including Diesel type engines .. .. .	10

*Note:* The normal rates shown above are increased for the period from September 3, 1939, to April 5, 1950, by 20 per cent.

#### FURNITURE MANUFACTURE

Engines, boilers and shafting .. ..	5
General machinery or plant .. ..	7½
Electric motors .. .. .	7½
Steam wagons and lorries .. .. .	15
Motor wagons and motor lorries .. ..	20

#### Gauge and Tool Manufacture

See Machine Tool Manufacture.

#### HANDKERCHIEF MANUFACTURE

Engines, boilers, shafting and gearing and motors .. .. .	5
Stitching machines .. .. .	10

**HEAVY CLAY INDUSTRY** (Excluding building brick manufacture) covering manufacture of roofing and flooring tiles, refractory goods, sanitary pipes and fittings, enamelled bricks and tiles, terra cotta goods, sanitary fire-clay goods, red clay goods and similar articles

Steam engines, boilers, shafting and general machinery or plant, e.g., piping, mixing, shaping and glazing machines (blungers, tanks, arks, sifters, pumps, jiggers, jolleys, presses, etc.), conveyors, trucks (or cars), propelling mechanism and tracks, air supply and exhaust fans and dust extraction plant .. .. .	5
Crushing and grinding plant (milling plant) .. .. .	7½
Electrical plant (dynamos, motors, trans- formers, fans, etc.) .. .. .	7½
Gas-producing plant (Wellman-Galusha type) .. .. .	7½
Coal pulverising plant and mechanical stokers .. .. .	7½
Diesel engines .. .. .	10
Ovens and kilns .. .. .	10

*Notes:* (a) Greenhouses, tunnel dryers and drying sheds, of a specialised type not forming part of any other structure and constructed and used throughout solely for brick or clay drying purposes are eligible for renewals allowance.

(b) Kilns include kiln chimneys where an integral part of a kiln (so that the kiln cannot be separately renewed) for the purpose either of a wear and tear or a renewals allowance. No allowance is made for wear and tear on, or the complete renewal of, a chimney forming a separate unit.

(c) Where wear and tear is allowed, allowances for renewal of parts of a kiln are not to

include the cost of complete rebuilding of the furnace zone of a continuous oven or kiln, but the appropriate obsolescence or balancing allowance may be made.

(d) In the case of a continuous oven or kiln, wear and tear and written-down value of ancillary machinery, etc., are separately calculated by reference to the rate or rates applicable to that machinery.

#### HEMSTITCHING

Engines, boilers, shafting and gearing, and motors .. .. .	5
Hemstitching machines .. .. .	10

#### HOSIERY MANUFACTURE

Steam engines, boilers and shafting ..	5
Electric motors .. .. .	7½
All process machinery or plant .. ..	13

*Note:* The rates are regarded as covering circumstances of overtime or continuous working.

#### HOSIERY NEEDLE MANUFACTURE

Steam and gas engines, boilers and shafting	5
Electric motors .. .. .	7½
Process (or manufacturing) machinery or plant .. .. .	10

#### ICE CREAM FACTORIES

See Creameries, Dairies and Ice Cream Factories.

#### ICE MANUFACTURE AND COLD STORES

Steam and gas engines, boilers and shafting	5
Electrical plant and insulation .. ..	7½
Refrigerating machinery, i.e., compressors, condensers, ice tanks, coolers, conduits, moulds, coils, travellers, etc. .. ..	10

*Note:* Lagging, belting, loose plant, utensils, etc., are dealt with on a renewals basis.

#### IRON AND STEEL MANUFACTURE

Machinery or plant generally .. ..	7½
Furnace structures (other than electric furnaces) .. .. .	7½

*Notes:* (a) As regards furnace structures a separate option to change from the renewals to the wear and tear basis may be exercised by the taxpayer in relation to any individual range of plant, provided that he does so in respect of the whole of the furnaces comprised therein, viz.:

- (i) a range of blast furnaces, including hot blast stoves and calcining kilns;
- (ii) steel melting furnaces and mixers included in an individual steel plant;
- (iii) regenerative and other furnaces and soaking pits attached to an individual rolling mill.

(b) Where an installation of machinery or plant is protected or sheltered by a structure which is an integral part of the installation in the sense

- (i) that the structure with its supports could not be adapted to any other use, and
- (ii) that the machinery or plant could not be removed without demolishing the structure,

the structure may be treated for income tax purposes as plant eligible for the same rate of

	PERCENTAGE (to be multiplied by 5/4ths in computing allowances)
wear and tear as the protected or sheltered installation.	
Any columns together with their foundations that are primarily designed to support crane gantries may, together with such gantries, be treated as plant.	
Where a structure which is treated as plant under this practice has in the past been treated as a building, the amounts included in respect of that structure, by virtue of Section 15, Finance Act, 1937, in any mills, factories allowances since 1937-38 will be treated as though they had been wear and tear.	
<b>JUTE SPINNING AND WEAVING</b>	
Engines, boilers and shafting .. ..	5
First and second drawing frames, roving frames, spinning frames and dressing machines .. ..	10
Breakers and finishers acquired after April 6, 1937 .. ..	10
Other machinery or plant .. ..	7½
<i>Note:</i> The rates are regarded as covering circumstances of overtime or continuous working.	
<b>LACE AND EMBROIDERY MANUFACTURE</b> ..	
Machinery or plant generally .. ..	7½
<b>LADIES' CLOTHING</b>	
<i>See</i> Mantles and Ladies' Clothing.	
<b>LADIES' LIGHT CLOTHING MANUFACTURE</b>	
<i>See</i> Clothing—Light (Ladies' and Children's).	
<b>LAUNDRIES</b>	
Machinery or plant generally .. ..	10
Motor vans .. ..	20
<b>LIGHT METAL CASTINGS MANUFACTURE</b>	
Electric furnaces .. ..	12½
Other machinery or plant .. ..	10
<i>Note:</i> The rate applicable to electric furnaces is regarded as covering <i>all conditions of working</i> . The rate applicable to other machinery or plant is regarded as covering conditions of working <i>up to and including double shift</i> ; where working exceeds double shift, increased rates may be appropriate.	
<b>LINEN WEAVING</b>	
<i>See</i> Flax Spinning and Linen Weaving.	
<b>LINOLEUM AND FLOOR CLOTH MANUFACTURE</b>	
Engines, boilers and shafting .. ..	5
Diesel engines .. ..	10
Other machinery or plant .. ..	7½
<b>LOCOMOTIVE MANUFACTURE</b>	
Boilers, engines, shafting and slow-moving machinery or plant .. ..	5
Electric motors, dynamos and other electrical plant; high-speed metal-working machinery, viz., lathes, drilling, milling, planing, shaping and similar machines .. ..	7½
<i>Note:</i> Furnaces are dealt with on a renewals basis.	
<b>MACHINE TOOL MANUFACTURE</b>	
Steam engines, boilers and shafting ..	5

Accounting machines and other similar office appliances .. .. . 10  
Precision machinery or plant .. .. . 12½  
Other manufacturing machinery or plant .. .. . 7½

*Notes:* (a) The rates do not apply to machinery or plant used in the manufacture of grinding and other similar machinery.

(b) Furnaces are dealt with on a renewals basis.

(c) Where working of precision machinery or plant (12½ per cent.) and other manufacturing machinery or plant (7½ per cent.) exceeds a double shift, increased rates may be appropriate.

#### MADRAS MANUFACTURE

Machinery or plant generally .. .. . 7½

#### MANTLES AND LADIES' CLOTHING

Engines, boilers and shafting .. .. . 5  
Electric motors .. .. . 7½  
General machinery (process plant) .. .. . 10

#### MATCH MANUFACTURE

Steam engines, boilers and shafting .. .. . 5  
Lathes, wood-cutting and wax taper-making machinery, including taper drums .. .. . 5  
General machinery or plant, including electric dynamos and motors, match-making, splint-levelling and cleaning and box-filling machines .. .. . 7½  
Motor lorries and motor vans .. .. . 20

*Note:* For the purpose of paragraph 11 of the General Notes, a complete "match chain" is treated as a complete machine and not as a part of the machine. Where machinery or plant is used by night as well as by day ("double running" or "day and night working") no extra allowance is granted in respect of steam-raising plant, but an extra allowance of 25 per cent. of the normal rates is given in respect of such other machinery or plant as is run both day and night, for the proportional part of the year during which it is so run; *no extra allowance is made for any overtime running which falls short of a full day and night.*

#### MILK BARS

Milk and ice cream refrigerating and delivery units .. .. . 15  
Carbonating plant, sterilising and washing plant and boilers .. .. . 10  
Other machinery or plant .. .. . 7½

#### MOTOR CARS\*

20

#### MOTOR LORRIES, PANTTECHNICONS AND VANS, COMMERCIAL\*

20

*Note:* The rate does not apply to "lift" panttechnicons which are not fixed parts of a motor.

#### MOTOR OMNIBUSES\* (except as provided below)

20

Bedford 32-seater (war-time) buses—so long as they remain licensed to carry 32 seated passengers and such number of

\* Not confined to a specific industry.

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standing passengers as is permitted by the Regional Transport Commissioner concerned .. .. .	25
<i>See also</i> Trackless Trolley Omnibuses.	
<b>MOTOR VEHICLES WITH INTERNAL COMBUSTION ENGINES, MANUFACTURE OF</b>	
Steam engines, boilers and shafting .. .. .	5
High-speed precision plant .. .. .	12½
Other manufacturing machinery or plant and electric motors .. .. .	7½
Accounting, calculating and other similar office appliances .. .. .	10
<i>Note:</i> Where working of precision plant (12½ per cent.) and other manufacturing machinery or plant (7½ per cent.) exceeds a complete double shift, increased rates may be appropriate.	
<b>NAIL MANUFACTURE</b>	
Machinery or plant generally .. .. .	5
<b>NEEDLE MANUFACTURE</b>	
Engines, boilers and shafting .. .. .	5
Needle-making machinery and electric motors .. .. .	7½
<i>See also</i> Hosiery Needle Manufacture.	
<b>NEON LIGHT SIGNS*</b> .. .. .	7½
<b>NET MANUFACTURE</b>	
<i>See</i> Fibre Rope, Net and Twine Manufacture.	
<b>NEWSPAPER PRINTING</b>	
Engines, boilers and shafting .. .. .	5
Printing machines .. .. .	7½
Type (subject to Note (a)) .. .. .	10
<i>Notes:</i> (a) Type is normally dealt with on a renewals basis.	
(b) Where the same machines are used to print morning and evening papers, increased rates may be appropriate, subject to proof on the following points:	
(i) life of plant substantially reduced;	
(ii) additional wear and tear not made good by extra expenditure on maintenance and renewals of plant;	
(iii) actual hours of running exceptional (e.g., machines which print only one paper may normally run longer hours than those which print two papers).	
<b>NUT MANUFACTURE</b>	
<i>See</i> Bolt, Nut, Screw and Rivet Manufacture.	
<b>OVERALL MANUFACTURE</b>	
<i>See</i> Clothing—Light (Ladies' and Children's).	
<b>PAINT, COLOUR AND VARNISH MANUFACTURE</b>	
Engines, boilers, shafting and storage tanks .. .. .	5
General machinery or plant, including grinding machinery and electric motors .. .. .	7½
Motor lorries and motor tractors .. .. .	20
<i>Notes:</i> (a) The rates do not apply to ore-crushing machinery.	
* Not confined to a specific industry.	

(b) Horses, loose tools and utensils (including typewriters) are dealt with on a renewals basis.	
<b>PAPER BAG MANUFACTURE</b>	
Engines, boilers and shafting .. .. .	5
General machinery or plant and electric motors .. .. .	7½
Motor vans .. .. .	20
<b>PAPER BOX MANUFACTURE</b>	
Machinery or plant generally .. .. .	7½
Motor vans .. .. .	20
<b>PAPER MILLS</b>	
Machinery working by day only .. .. .	5
Machinery working day and night .. .. .	7½
<i>Note:</i> Paper-making is a continuous process. A number of machines, each dealing with a stage of manufacture, are linked up to form one productive unit. For the purposes of paragraph 11 of the General Notes, each machine is treated as a separate item of plant and not as a part.	
<b>PLASTICS MANUFACTURE†</b>	
Machinery or plant used in all branches of plastics manufacture:	
Up to but excluding double shift working .. .. .	10
Double shift working or more but excluding treble shift working .. .. .	12½
Treble shift or continuous working .. .. .	15

PERCENTAGE  
(to be multiplied by 5/4ths in  
computing allowances)

#### POTTERY MANUFACTURE†

*In addition to percentage rates for use under the normal (reducing balance) method, rates for the alternative (straight line) method have been determined for use, if the taxpayer so elects, in connection with new machinery or plant. The rates are as follows:*

Steam engines, boilers, shafting and piping .. .. .	5	2
Conveyors, dust extraction plant, lifts and hoists, gas producer and electrical plant .. .. .	7½	3
Making, glazing, decorating and other process plant:		
(a) automatic and semi-automatic .. .. .	10	4

† Where wear and tear allowances for 1947-48 and 1948-49 were settled on the following basis:

Up to and including double shift working .. .. .	10½ per cent.
Exceeding double shift working but not exceeding 120 hours per week .. .. .	13 per cent.
Exceeding 120 hours per week .. .. .	15 per cent.

the allowances for those years are not recomputed unless revision is claimed.

† The rates shown operate from 1949-50 and have been determined by the Commissioners of Inland Revenue. Particulars of the arrangements previously in force can be obtained from the local Inspector of Taxes.



	PERCENTAGE (to be multiplied by 5/4ths in computing allowances)	
	Normal (reducing balance) method	Alternative (straight line) method
<b>POTTERY MANUFACTURE.—<i>contd.</i></b>		
(b) hand-jiggers, jolleys, presses, glaze- and cellulose-spray- ers .. .. .	5	2
Crushing and grinding plant (milling plant), pulverisers (coal, marl, etc., disintegrators, clay grinding and cylinders) and sliphouse machinery (blun- gers, arks, sifters, pumps and filter presses) .. .. .	10	4
Continuous kilns (including trucks or cars, tracks, travelling belts, propelling mechanism, fans, electric elements and fuel con- nections) .. .. .	10	4
Intermittent kilns (excluding hovels and chimneys constitut- ing a separate structure) ..	10	4
Hovels constituting a separate structure .. .. .	5	2
Flint, frit and colour kilns ..	7½	3
Clayware dryers .. .. .	10	4

Notes: (a) Chimneys constituting a separate structure are regarded as industrial buildings and dealt with under Part I, Income Tax Act, 1945.

(b) As regards continuous kilns, the cost of rebuilding the firing zone is treated as capital expenditure, but other renewals of parts are treated as revenue expenditure.

#### PRINTING

Engines, boilers and shafting .. ..	5
Printing and binding machines .. ..	7½
Type (subject to Note (a)) .. .. .	10

Notes: (a) Type is normally dealt with on a renewals basis.

(b) Special and delicate machinery is dealt with according to the facts of each case.

See also Newspaper Printing.

#### READY-MADE TAILORING (MEN'S)

See Clothing—Heavy (Men's).

#### RIVET MANUFACTURE

See Bolt, Nut, Screw and Rivet Manufac-  
ture.

#### ROAD ROLLERS\*

Steam rollers .. .. .	10
Diesel rollers .. .. .	20
Petrol rollers .. .. .	20

#### ROPE MANUFACTURE

See Fibre Rope, Net and Twine Manufac-  
ture.

#### SAW MILLING

See Timber Merchants, Saw Millers and  
Timber Goods Manufacture.

\* Not confined to a specific industry.

#### SCREW MANUFACTURE

See Bolt, Nut, Screw and Rivet Manufac-  
ture.

#### SHIPPING†

All rates are for application on the 'alternative  
(straight line) basis.

(1) New ships with no refrigerating plant:

Sailing vessels .. .. .	3
Steamers and motor vessels ..	4
Tankers .. .. .	5

Note: If in any case capital expenditure incurred on an old ship is so substantial that the original cost plus all later expenditure cannot be written off at the end of 30 years (25 years in the case of tankers) the rate may be subject to adjustment.

(2) New refrigerated ships:

Where the cost of refrigeration in relation to the whole cost of the ship including its refrigerat-  
ing plant and insulation is:

less than 1 per cent. .. .. .	as for new non- refrigerated ships
1 per cent. but less than 10 per cent. ..	4½
10 per cent. but less than 20 per cent.	4½
20 per cent. but less than 30 per cent.	4½
30 per cent. but less than 40 per cent.	5

Note: If subsequent capital expenditure alters the proportion between the cost of re-  
frigeration and the whole cost sufficiently to  
transfer the ship to a different category in the  
above table, the rate appropriate to the new  
category is applied thereafter.

(3) Second-hand ships (whether refrigerated or  
not)

Rates equivalent  
to the fractions  
in the following  
table (or the  
rates appropri-  
ate to new ships,  
if these are  
higher):

FRACTIONS (to be multiplied by 5/4ths in computing allowances)			
Age at date of purchase		Fraction of cost to be written off annually	
Over	Under	Ships other than tankers	Tankers
0	1	¼	⅓
1	2	⅓	⅓
2	3	⅓	⅓
3	4	⅓	⅓
4	5	⅓	⅓
5	6	⅓	⅓
6	7	⅓	⅓
7	8	⅓	⅓
8	9	⅓	⅓
9	10	⅓	⅓
10	11	⅓	⅓
11	12	⅓	⅓
12	13	⅓	⅓
13	14	⅓	⅓
14	15	⅓	⅓

† The rates shown operate from 1949-50 and have been determined by the Commissioners of Inland Revenue. Particulars of the arrangement previously in force can be obtained from the local Inspector of Taxes.

# FRACTIONS

(to be multiplied by 5/4ths in computing allowances)

Age at date of purchase		Fraction of cost to be written off annually	
Over	Under	Ships other than tankers	Tankers
15	16	$\frac{1}{10}$	$\frac{1}{8}$
16	17	$\frac{1}{10}$	$\frac{1}{8}$
17	18	$\frac{1}{10}$	$\frac{1}{8}$
18	19	$\frac{1}{10}$	$\frac{1}{8}$
19	20	$\frac{1}{10}$	$\frac{1}{8}$
20	21	$\frac{1}{10}$	$\frac{1}{8}$
21	22	$\frac{1}{8}$	$\frac{1}{8}$
22	23	$\frac{1}{8}$	$\frac{1}{8}$
23	24	$\frac{1}{8}$	$\frac{1}{8}$
24	25	$\frac{1}{8}$	$\frac{1}{8}$
25	26	$\frac{1}{8}$	$\frac{1}{8}$
26	27	$\frac{1}{8}$	$\frac{1}{8}$
27	28	$\frac{1}{8}$	$\frac{1}{8}$
28	29	$\frac{1}{8}$	$\frac{1}{8}$
29	30	$\frac{1}{8}$	$\frac{1}{8}$

non-ships

Notes: (a) Where a second-hand ship is over 30 years old at the date of purchase the allowance is computed as may be appropriate having regard to the facts of the particular case.

(b) If in any case capital expenditure incurred on a second-hand ship is so substantial that the original cost plus all later expenditure cannot be written off at the end of 30 years (25 years in the case of tankers) the rate may be subject to adjustment.

## SHOE AND SLIPPER MANUFACTURE

Engines, boilers and shafting .. ..	5
Manufacturing machinery (process plant)	10
Motor vans and motor lorries .. ..	20

## SILK MANUFACTURE

Steam engines, boilers and shafting ..	5
General machinery or plant (including winding, throwing, doubling and weaving machinery), and electric motors ..	7½
Sewing, braiding and knitting machinery	10

Notes: (a) The allowances are applicable to machinery or plant used in the manufacture of natural or artificial silk materials, including materials consisting partly or silk and partly of wool and/or cotton.

(b) As regards lace and embroidery and dyeing machinery or plant, the rates given under those headings are applicable.

STEAM LORRIES* .. .. .	15
------------------------	----

## STEEL MANUFACTURE

See Iron and Steel Manufacture.

## STEEL ROLLING, FORGING AND HAMMERING:

### STEEL RE-ROLLING

The rates shown for Iron and Steel Manufacture apply.

## SULPHURIC ACID MANUFACTURE

### Chamber Process

Nitre plant, ammonia oxidation plant, towers and plant used in connection therewith, chambers and incidental plant, chimney stack, dearsenicating plant, concentrating plant .. ..

PERCENTAGE  
(to be multiplied by  
5/4ths in computing  
allowances)

5

10

20

5

7½

10

15

15

PERCENTAGE  
(to be multiplied by  
5/4ths in computing  
allowances)

## Contact Process

Towers, blower, grease separating and pressure balancing chambers, heat interchangers, pre-heaters, super-heaters, converters and contact mass, absorption vessels, weighing tanks and machine plant for platinisation and revivification of contact mass ..

15

## Either Process

Plant for dealing with sulphur raw material, mechanical and hand burners, power plant, acid eggs, storage tanks, cisterns and connections, fans, pumps, railway tank wagons ..

15

See also Chemical Manufacture.

## SYNTHETIC DYESTUFFS MANUFACTURE

See Dyestuffs (Synthetic) Manufacture.

## TAILORING (MEN'S)

See Clothing—Heavy (Men's).

## TIMBER MERCHANTS, SAW MILLERS AND

### TIMBER GOODS MANUFACTURE

Engines, boilers and main shafting ..	5
General saw-milling machinery or plant	7½
Kilns for drying timber† .. ..	10
Traction engines, tractors, motor cars and haulage plant .. .. .	20

Note: The rate for general saw-milling machinery or plant was increased to 9½ per cent. for the years 1947-48 and 1948-49.

## TOOL MANUFACTURE

See Machine Tool Manufacture.

## TRACKLESS TROLLEY OMNIBUSES .. ..

15

## TWINE MANUFACTURE

See Fibre Rope, Net and Twine Manufacture.

## UNDERCLOTHING MANUFACTURE

See Clothing—Light (Ladies' and Children's).

## VARNISH MANUFACTURE

See Paint, Colour and Varnish Manufacture.

## WATER UNDERTAKINGS

Cast iron mains and asbestos cement mains	3
Steel mains .. .. .	5
Electrical plant .. .. .	7½
Meters .. .. .	10
Diesel engines .. .. .	10
Other machinery or plant .. ..	5

## WELFARE EQUIPMENT\*

Canteen equipment and such items as wash basins, baths and lavatory pans ..

10

\* Not confined to a specific industry.

† This rate operates from 1949-50 and has been determined by the Commissioners of Inland Revenue.

# Taxation Notes

## Machinery and Plant Allowances

A NEW ISSUE OF THE REVENUE BOOKLET (the 1950 edition) on allowances for machinery or plant is being distributed to accountants by local tax offices, explaining the main features of the law and practice, including the changes made by the Finance Act, 1949. These follow the usual welcome pattern. We are only sorry that no guide is given to the practice intended to be followed in assessing "just and reasonable" allowances where there is partial use for private purposes.

## Overseas Property—Taxation

The Chancellor of the Exchequer was asked on April 4, 1950, whether, with regard to the Defence (Finance) Regulations governing property owned abroad, now that War-Time Concession No. 6 was to be withdrawn and all tax would become due by June 15, 1950, unless any part of such money was remitted abroad before that date, it was possible to apply to the Bank of England for permission to transfer the money to the country of origin. The Chancellor said in reply that in the case of owners who were resident in the United Kingdom for income tax purposes, or who were still regarded as residents of any of the scheduled territories for exchange control purposes, permission would not be given for money to be transferred back to its country of origin or to be remitted outside the scheduled territories. It could, however, be freely transferred outside the United Kingdom to other parts of the scheduled territories. In the case of owners who were no longer resident in the United Kingdom for income tax purposes, and were resident outside the scheduled territories for exchange control purposes, special arrangements had been made for the discharge of the relative tax assessments.

## Interest on Death Duties

Suggestions have recently been made that, in view of the delays in obtaining grants of probate and letters of administration, there should be some relaxation of the rules regarding interest on estate duty, which, in the case of the duty on personal property, is charged at 2 per cent. per annum from the date of death to the date of payment. One suggestion is that the personal representatives be allowed three months to

ascertain the estate before interest begins to run; another that the Revenue should accept a bond for the duty, to be payable within six months without interest, to avoid the necessity of borrowing at 4 or 5 per cent. to pay the duty; a third that no duty or interest be payable till probate is granted. It is to be noted, however, that in most cases the estate assets will be earning interest, and as the duty is regarded as due on death, that raises a complication. Moreover, a sur-tax payer who has to bear the interest on estate duty is allowed to gross it as an "annual payment" out of his income, saving sur-tax on the equivalent of 3.64 per cent. per annum interest.

It would help if the necessity for borrowing to pay the duty could be avoided. To our mind, however, a much bigger problem is presented when the estate has fallen considerably in value by the time it can be realised to repay the borrowed money.

## Continuing Annuities—Estate Duty

The Board of Inland Revenue announce that, following the decision of the Court of Appeal *In re Duke of Norfolk's Will Trusts, Public Trustee v. Commissioners of Inland Revenue* (1950, 1 All E.R. 664), they have reverted to the practice whereby on the death of a person entitled for life to an annuity which continues after his death, or to a share of such an annuity, estate duty is claimed (under Section 1, Finance Act, 1894) in respect of the annuity, or the deceased's share thereof, as passing to the surviving annuitant or annuitants.

A note on page 207 gives the details of the case *In re Duke of Norfolk's Will Trusts*.

## Tables of Written-down Values for Wear and Tear

We have received a booklet containing tables of written-down values for wear and tear, prepared by Lyall & Welburn. Copies are obtainable from them at 139, Cob Lane, Birmingham, 30, at 5s. each, post free (cash with order).

These tables provide the written-down value of £100 cost price of an asset purchased in any year from April 6, 1909, on the reducing instalment system usually employed for income tax purposes. Provision has been made for all allowances claimable, namely, normal annual allowances, the additional allowances operative till 1945-46, the increased annual allowances thereafter, and initial allowances. The basic rates for which the tables provide are 3, 4, 5, 6, 7½, 8, 9, 10, 12½, 15, 20, 22½ and 25, which cover all those in frequent use. Use of the tables can save much time when there is required the written-down value to-day of an asset purchased many years ago. The result is accurate to the nearest £ for any item costing up to

£10,000. In 1944 and 1949 the allowance depended on the date of purchase; the tables give separate figures to allow for this variation. In addition to their use in income tax work, the tables will help when opening and writing-up plant registers.

As a test, we show:

Asset bought 1941	£9,000
10 per cent.	
wear and tear	
1942/43	900 + 180
	8,100
1943/44	810 + 162
	7,290
1944/45	729 + 146
	6,561
1945/46	656 + 131
	5,905
12½ per cent. 1946/47	738
	5,167
1947/48	646
	4,521
1948/49	565
	3,956
1949/50	495
	£3,461 — 619

The tables show for £100 expenditure, 38.46 and 6.88 which, for £9,000 expenditure, become £3,461 and £619, as above.

## Gifts to Technical Colleges, etc.

Our knowledge of taxation is no longer derived solely from Income Tax and Finance Acts and Statutory Instruments, or Regulations or Notes issued by the Inland Revenue. We have to keep an eye cocked to other departments as well.

The Ministry of Education has issued a circular (No. 217, April 21, 1950) relating to Section 29, Finance Act, 1946, stating that the Inland Revenue have reconsidered the extent to which an allowance can be made in computing a trader's liability to income tax, profits tax and excess profits tax for gifts to technical, commercial or art colleges or schools or other vocational educational establishments for the purpose of vocational education or research.

The position is as follows:

*Gifts of money or equipment or loans of equipment for the training of the trader's employees.*

(a) Money contributions toward current costs may be treated as an allowable expense of the business.



- (b) Gifts of equipment : Where the trader replaces the equipment which is the subject of the gift, the difference between the cost of the equipment and the amount already allowed to the trader for taxation purposes in respect of its depreciation is eligible as an expense for income tax, profits tax and excess profits tax. Where the equipment is not replaced, allowance of the difference will not be due for excess profits tax but will be due for income tax in respect of a gift made on or after April 6, 1946, and for profits tax in respect of a gift on or after January 1, 1947.
- (c) Loans of equipment, where the equipment remains the property of the trader, will rank for the same capital allowances as if it were used by him.
- (d) Money contributions to capital costs may not be treated as a business expense for excess profits tax but may be so treated in computing the liability to income tax, and as from January 1, 1947, for profits tax, if they are to a technical college or similar institution approved by the Minister of Education for the purposes of Section 29, Finance Act, 1946 (which gives relief for payments for technical education related to a trade but not for excess profits tax or national defence contribution)—as from January 1, 1947, however, it applies for profits tax (Section 46 (1) and 8th Schedule, para. 5 (1), Finance Act, 1947),

the payments are to be used for the purposes of technical education of a kind specially requisite for persons employed in the class of trade to which that carried on by the trader in question belongs.

The Minister, by the circular, approves all technical, commercial and art colleges and schools which are either maintained by him or aided by him either through a local education authority or directly. He will consider on their merits applications from other vocational establishments. Claims under Section 29 should be made to the Inspector of Taxes, with a statement from the college, etc., that it is approved.

*Payments of fees* to a technical, etc., establishment, either for the training of his employees or for research related to his trade or the class of trade to which he belongs, are eligible as expenses of the trader's business for income tax, profits tax and excess profits tax.

*Gifts, etc., for research*

- (a) Money contributions towards current costs and gifts and loans of equipment made by a trader for research related to his trade or class of trade may be treated as in (a), (b) and (c) above.
- (b) In addition, a contribution to capital cost (including the value of a gift of equipment not covered by the last preceding paragraph) is eligible as a business expense for income tax from April 6, 1946, and for profits tax from January 1, 1947 (but not for excess profits tax at all), if the college is

approved for the purpose of Section 27 Finance Act, 1944 (scientific research relief). All universities and university colleges in Great Britain have been approved for Section 27, Finance Act, 1944, and the circular does not apply to them.

### Double Taxation—Burma and Denmark

Double taxation agreements between the United Kingdom and Burma and between the United Kingdom and Denmark have been signed.

The agreements, both of which are subject to ratification, provide for avoidance of double taxation on income and profits and are expressed to take effect in the United Kingdom from April 6, 1948.

The agreements are in general similar to those already made with the United States of America, Sweden, the Netherlands and certain Commonwealth countries.

### Inland Revenue Prosecution

The trial at the Manchester Assizes of two company directors and a former practising accountant on charges of defrauding the Inland Revenue (noted on page 169 our last issue), resulted in sentences of twelve months' imprisonment for one of the directors and the accountant and a fine of £550 for the other defendant. In addition, the first two defendants were ordered to pay £500 each and the third £250 towards the prosecution's costs.

## Recent Tax Case

By W. B. COWCHER, O.B.E., B.LITT., Barrister-at-Law

*Estate Duty—Annuity under will for lives of two persons—Death of first annuitant—Whether duty payable thereon by reference to Section 1 or Section 2 (1) (b) of Finance Act, 1894.*

In *re Duke of Norfolk's Will Trusts* (C.A., March 6, 1950, T.R. 15) was noted on page 64 of our issue of February last, and it was there suggested that the proceedings in the Chancery Division were but the first round of a test case. In the Court of Appeal the Crown fared no better; but permission to appeal to the House of Lords—the Crown to pay the Public Trustee's costs in any event—was given. So, presumably, unless the House of Lords reverses the decisions of the lower courts, legislation is contemplated.

The point at issue in the Chancery Division was whether, in the case of an annuity to begin on the testator's death and to continue to be payable during the joint lives of Viscount FitzAlan of Derwent and the latter's son and the survivor of them, estate duty on the death of the first-mentioned was payable under Section 1 of the Finance Act, 1894, on the value of a continuing annuity for the expectant life of the second annuitant or was payable, under Section 2 (1) (b) of the Act, on a "slice" of the testator's estate representing the benefits arising on the first death by reason of the cesser of an annuity. Wynn-Parry, J., had refused the Crown's claim to change its practice in the matter and had

held that it had no option to charge under Section 1 or alternatively under Section 2 according to which method suited it best. In the Court of Appeal, the Crown, by consent, was allowed to take another point, namely, that even if Section 1 had to be applied, then the valuation upon which duty was payable was a share of the property bearing the same ratio to the whole property as the annuity bore to the whole income of the same property. Putting the matter in another way, the method of valuation for estate duty where an aliquot share of general income is the subject of successive interests was claimed to be applicable. Both contentions were unanimously rejected, each of the judges giving a separate opinion. While upholding Wynn-Parry, J.'s conclusions upon the case presented to him, the Court was agreed upon the new point that the natures of an annuity enjoyable in succession and of a share of an estate similarly enjoyable were fundamentally different. In view of the intention to take the case to the House of Lords, a more extended note is not worth while at present.

# The Student's Tax Columns

## SCHEDULE A

TAX IS LEVIED UNDER SCHEDULE A UPON THE PROPERTY in land and buildings in the United Kingdom. The income first emerges from the source in the enjoyment of occupation. Accordingly, in normal cases, the occupier pays the income tax, but if he pays rent he can pass the burden on to his landlord so far as the rent is commensurate with the assessment.

The assessment is on the net annual value (N.A.V.), which is found by deducting from the gross annual value an allowance for repairs, etc.

The gross annual value (G.A.V.) is based on the rent the property should fetch if let in the open market on the basis of the landlord doing the whole of the repairs and the tenant paying the rates.

In ordinary lettings "at arm's length," the actual rent will fix the gross annual value. If one party undertakes the other's burdens, or part of them, an adjustment is necessary to arrive at the true rent on the above basis.

*Examples:* (1) A house is let at £40 a year, the landlord paying rates of £15. The gross annual value is therefore £25.

(2) Rent £40 exclusive of rates, but tenant does inside repairs. In such a case it is usual to add 10 per cent. to cover the repairs done by the tenant, giving a gross annual value of £44.

In any instance where there is no rent or the actual rent is nominal the Commissioners must assess the gross annual value. This commonly arises with owner-occupiers, and with houses let to relatives at no or nominal rents.

### REPAIRS ALLOWANCE

Since the landlord is supposed to do the repairs out of his rent, it is only fair that some deduction be given. This is on a sliding scale in the case of buildings, and is intended to cover repairs, maintenance, management and insurance of the property.

The allowance is :

- (1) In the case of land (including any buildings assessed therewith), one-eighth.
- (2) In the case of houses or buildings :  
Where the gross annual value      The allowance is :  
(G.A.V.) :  
(a) does not exceed £40      One-fourth of the G.A.V.  
(b) Exceeds £40 but does not exceed £50      £10  
(c) Exceeds £50 but does not exceed £100      One-fifth of the G.A.V.  
(d) Exceeds £100      £20 for the first £100 and one-sixth of the excess

It will be seen that (b) is a marginal case, as one-fourth of £40 and one-fifth of £50 each equals £10.

Certain other expenses are also deductible from the G.A.V. in arriving at the N.A.V., e.g., land tax borne by the

landlord, certain ecclesiastical dues, drainage rates borne by the landlord, expenses of repairing sea walls, five-sixths of the tithe redemption annuity, etc.

### MAINTENANCE CLAIMS

Should there be more than the repairs allowance spent on repairs, maintenance, management and insurance of the property a claim can be made, but this is on the basis of the average expenditure of the preceding five years. The year of expenditure can be taken to March 31, December 31, or any other fixed date. It is usual to base the claim on the amounts paid in the respective years, except in the case of landed estates preparing yearly accounts.

Where properties are managed as one estate, the claim must be for the whole, not for each individual property.

*Example :*

	Years to March 31		Average	Year of claim
Expenditure	Total	(5 years)		
£	£	£		
1944	120			
1945	200			
1946	80			
1947	270			
1948	210	880	176	1948/49
1949	150	910	182	1949/50
1950	90	800	160	1950/51
If the G.A.V.s of the estate total			..	.. £700
and the repairs allowances			..	.. £165
Giving N.A.V.			..	.. £535

Then, assuming all tax has been paid, there would be a repayment in 1948/49 of tax on £176 — £165 = £11 at 9s. =

£4 19 0

and in 1949/50 of £182 — £165 = £17 at 9s. = £7 13 0

For 1950/51 the statutory allowance is adequate.

It is important to remember that the N.A.V. for 1948/49 becomes £524 and that for 1949/50 £518 ; i.e., the average allowance takes the place of the statutory one for all purposes.

Should the excess maintenance exceed the N.A.V. no relief is obtainable on the excess, no matter how much other income there is, except in the case of agricultural or forestry land, where the excess can be set against other income.

<i>Example :</i> G.A.V.	..	..	£400
Repairs allowance			£70
N.A.V.	..	..	£330

Average maintenance £430, i.e., excess of £430 — £70 = £360.

In that case, all tax on that property will be repaid, but there will be no further relief unless it is agricultural property, when the £30 excess can be set against other income.

The expenses that can go into a maintenance claim include all revenue as distinct from capital (e.g., improvements or additions) expenditure, such as painting, repairing, etc., the structure (inside and out), remetalling drives, repairing fences, agent's charges, repairs to heating apparatus, advertising for letting, insurance of the structure, accountant's fees, letting agreements, inventories, etc. Vouchers are essential.

#### PAYMENT OF TAX

The tax is payable by the tenant, except in the cases of :

- The N.A.V. of a house not exceeding £10.
- Lands and tenements let for less than a year.
- Houses let out in apartments or tenements.
- The landlord electing to be assessed.

In these cases the landlord is assessed, but if he does not pay, the occupier can be made to pay. In (a) and (b) the occupier who pays can deduct the tax from the next payment of rent ; in (c) and (d) from the next or any subsequent payment. The occupier cannot be made to pay more, however, than any sum due for rent after the demand is made.

In the normal case, the occupier pays the whole tax, and is then entitled to deduct it from the next payment of rent (on production of the receipt if called for), but cannot deduct more than the standard rate of tax on the years' rent. He cannot deduct from a subsequent payment of rent, only from the next after paying the tax. If the N.A.V. exceeds the rent, the excess is "beneficial occupation"—in effect the occupier is enjoying that amount of the source for nothing and that proportion of the N.A.V. is his income :

Example :

	(a)	(b)
N.A.V. .. ..	£200	£200
Rent .. ..	£240	£160

In case (a) the occupier pays £200 at 9s. = £90 and deducts it from the landlord.

In (b) he pays £90, but can deduct only £160 at 9s. = £72, bearing £18 (the tax on £40) himself. This is fair : the enjoyment of the property is the rent of £160 to the landlord and £40 to the occupier, who does not pay for that part of the property.

It often happens that the full year's tax (due on January 1 in the year of assessment) exceeds the next payment of rent. In that event, the occupier can elect to defer for three months payment of the excess of the amount recoverable from the landlord over the next rent due, to permit of its deduction from the next succeeding payment of rent.

Example : Rent payable quarterly, usual quarter days, N.A.V. £400 in each instance.

	(a)	(b)
Rent p.a. .. ..	£480	£320
Tax on N.A.V. .. ..	£180	£180
Tax deductible from rent	£180	£144
Quarter's rent .. ..	£120	£80
Excess .. ..	£60	£64
Pay on January 1 .. ..	£120	£116
April 1 .. ..	£60	£64
	£180	£180

In (b) there is beneficial occupation of £400 — £320 = £80, the tax on which, £36, is due on January 1 along with tax equal to the next instalment of rent.

#### EXCESS RENTS

A long lease is one granted for a term exceeding 50 years (unless determinable upon the death or marriage of any person). Any other lease is a short lease. An option to the lessor to determine a lease before the expiration of 50 years makes it a short lease ; a similar option to the lessee does not.

If an immediate lessor is entitled to rent under a short lease, he can be assessed under Case VI of Schedule D, on any profit rental. This is the rent less the deductions that would be given for a G.A.V. equal to the rent, less the greater of the N.A.V. or the rent payable by him under a short lease of the same property.

Example : A lets a house assessed at a N.A.V. of £120 to B at a rental of £170 ; B in turn lets it to C for £250.

	£
Rent .. ..	250
Repairs allowance .. ..	45
	205
Rent payable .. ..	170
B's Excess rent .. ..	35
Rent receivable .. ..	170
N.A.V. .. ..	120
A's Excess rent .. ..	50
Tax is therefore paid :	
By A on N.A.V. .. ..	120
Excess rent .. ..	50
	170
B on Excess rent .. ..	35
	£205

The machinery is as follows :



	£	s.	d.
C pays on N.A.V. £120 at 9s.	54	0	0
and deducts from the rent payable to B	54	0	0
B suffers by deduction ..	54	0	0
Pays under Case VI on			
£35 at 9s. ..	15	15	0
	69	15	0
But deducts from A on N.A.V.	54	0	0
	15	15	0
A suffers by deduction ..	54	0	0
and under Case VI £50 at 9s.	22	10	0
	76	10	0
Totalling : Tax on £205 at 9s. ..	92	5	0

Where a short lease comprises more than one unit of assessment, for example furnished and unfurnished flats where services are provided, or licensed premises or shops let at a composite rent, the Case VI liability on the immediate lessor is on the excess of the rent over—

- N.A.V., or rent payable, if greater.
- Rates, land tax and five-sixths of tithe annuity, where paid by him.
- Cost of services or goods (other than maintenance items) not separately paid for.
- Excess maintenance not otherwise relieved.

#### LONG LEASES

The rents for these are treated as annual payments, from which the payer has to deduct tax at the standard rate, for which he will account by keeping it in charge to tax. If they are not otherwise charged, Case VI applies.

## FINANCE

# The Month in the City

### Relapse and Rally

THROUGHOUT THE PAST FEW WEEKS THE stock markets have continued to suffer from a lack of turnover, the result of acute uncertainty. But on the whole the course of prices has been upward. The boom in a number of commodity prices—mainly caused by increased American demand but, in the case of rubber at least, helped by civil unrest and distrust of the currency in Far Eastern producing areas—and a succession of excellent company results have been stimulating influences. Also, several statistical indices suggest that the national position is still improving, if less fast than is necessary.

There have, however, been two exceptions to the upward trend—the Funds and gold-mining shares. It is a matter of opinion whether or not the rate of interest is likely to rise further; the evidence is not clear on the question how much inflationary pressure is left in the system. In any event, the market has apparently been more affected by the anticipation and the actual issue of the British Electricity Authority stock than by longer-term considerations.

The new Electricity stock marks a mile post in the course of post-war Government finance, for it is the first issue carrying the Government guarantee and offering 3½ per cent. So long as it stands below 100 it also offers a modest profit on redemption in rather less than 30 years and is therefore proving attractive. But the issue, or rather a very accurate forecast of its terms, drove down gilt-edged prices. They have now

recovered, and after touching 105.00 the index for Government securities compiled by the *Financial Times* stood at 105.93 on May 24, compared with 105.51 on April 24, while between the same two dates the yield on old Consols has risen four points, from 3.62 per cent. to 3.66 per cent. The *Financial Times* index for fixed interest stocks in general improved from 120.78 to 121.88.

### Gold Share "Shake-out"

The sharp fall in gold-mining share prices was caused by the increased demand for new capital for developing the Orange Free State mines. The position is complicated by the occurrence of considerable speculation. Some weeks ago all the available information suggested that prices of a number of shares were unduly low in relation to the dividend possibilities and that the time was therefore approaching when there would be a recovery in quotations. Nothing has so far happened to controvert this expectation, but a large demand for new capital led to sales of dividend-paying shares. At least one large operator was caught by the unfortunate timing of the new issues and was forced to fling shares on the market.

Probably the amounts involved were not really large, but credit conditions do not favour the financing of such operations: there was at one time much anxiety lest the selling should become cumulative and should cause a general depression throughout the Stock Exchange. To a very minor extent this did indeed occur, but steps were early taken to tide over the position. It is

now understood that any further liquidation will be gradual and not on a scale large enough to affect the market perceptibly. With the removal of this threat, not only did gold-mining shares begin to recover but the market was generally stronger in tone. While so far there has been little increase in the volume of business, the *Financial Times* index of gold-mining shares rose from a low of 125.66 on May 8 to 127.41 on May 12, and is now 125.37 compared with 129.99 on April 24. The index for industrial Ordinary shares was 107.4 on that last date, but 109.5 on May 24.

### I.C.F.C. Earnings

Although the investing public has no direct stake in the Industrial and Commercial Finance Corporation, its fortunes are followed with interest in financial circles. The result for 1949 now published can be summarised in a few words. In the first 3½ years of the corporation's work it accumulated a deficiency of £53,585. During 1949, the rate of income was appreciably increased in comparison with the preceding six months, while the allowance for doubtful debts was sharply reduced. After providing for income tax and interest on the loan capital, it was therefore possible to place £100,000 to reserve and to convert the deficiency into a surplus of £80,819. There is no suggestion that the Corporation will pay any dividend yet, but at least a beginning has been made with the building-up of a reserve. The share capital was increased during the year by £1.5 million and the loan capital by an equal amount, raising the total capital to £15,660,000; this last figure is just exceeded by the written-down value of advances and investments, which have increased during the year by a net amount of £3,270,000.

# Points from Published Accounts

## Tax on Dividends

A rather unusual treatment of taxation on dividends is adopted by *Vine Products*. In the appropriation account the Preference dividend is shown at its gross amount, without qualification, while the Ordinary payment is described, rather cumbrously, as "Dividend recommended at the rate of 25 per cent. (less tax) which (together with the payment of income tax thereon) would absorb. . . ." In the profit and loss account taxation is shown as follows:

PROFITS TAX	£	£
Amount set aside against current profits ..	69,236	
Less Adjustment for previous years ..	541	
		68,695
INCOME TAX		
Amount set aside against current profits (due January 1, 1951) ..	147,638	
Deduct Tax recoverable from stockholders, less tax on dividends and interest received ..	66,888	
		80,750
Less Adjustment for previous year ..	17,186	
		63,564

It would have been preferable to deduct dividends at their net amount and so avoid this rather heavy treatment, and also to have relegated the taxation adjustments to the appropriation account. But apart from this the accounts are very well presented.

## The Old-Fashioned Look

To say that the accounts of *Mutual Mills* are a strong reminder of book-keeping text-books long discarded is in no way to disparage their quality. But it is certainly unusual nowadays to come across shillings and pence in a balance sheet totalling close on three-quarters of a million sterling—a balance sheet which uses cash rulings. Thanks to the absence of abnormal items, the profit and loss account is a model of clarity. Any budding writer of a book-keeping text-book who favours the old-fashioned look will find an excellent example of presentation in this company's accounts.

## Raphael Tuck's Tax Treatment

Owing to stock losses and to the effect on trading of high rates of purchase tax on

greetings cards, the accounts of *Raphael Tuck* show a net loss before tax of £47,136. After deducting tax, which is stated to be mainly in respect of subsidiaries, and adding profits attributable to outside shareholders and profits retained by the subsidiaries, a net loss attributable to the parent is struck, and to this is added £32,000 "income tax recoverable on the above loss," and also the transfer of £30,777 from stock reserves. The Preference dividend needs £7,563, but does not weight the net loss, as it is offset by a transfer from the Preference dividend fund.

## Comparative Figures Unamended

Instead of amending the comparative figures, *A. Reyrolle* adjusts the balance brought forward. The adjustment is insignificant in relation to net profits, and is therefore to be applauded for its simple solution of what could be a needlessly tiresome task. From the amount brought forward is deducted £1,500 voted to charities, and £26,415 reserve for future income tax, being relief obtained from initial allowances in previous years. The latter appropriation conforms with the best practice.

## A Shelved Problem

A highly interesting report is published by *Rugby Portland Cement*. A feature of it is that the group charge for income tax provides for the estimated liability for 1950-51 "ignoring any claim for initial allowances." Thus the company can be said to have sat on the fence regarding the accounting treatment of this item. Clearly, the company will benefit substantially from initial allowances; the book cost for fixed assets has been increased by £321,000, whereas the total income tax provision made from profits amounts to £153,000.

Two pages are devoted to an analysis of turnover and profits. This analysis has the virtue that the return on total capital employed is expressed as a net percentage. On the other hand—and this is a very minor quibble—it is not stated whether the contribution made to the dividend on the Ordinary shares by each bag of cement sold in the home market, of slightly more than one-third of a penny, is gross or net. The breakdown of "where the money goes" suggests that wages, salaries, etc., are shown gross and dividends

net; if this is the case it would be a regrettable inconsistency. The statement of what happens to each £1 of net profit is beyond criticism if we allow that not all shareholders pay tax on their dividends at the standard rate of 9s.

To complete the story for shareholders the accounts are accompanied by the chairman's speech, which is a defence of the industry and a hard-hitting attack on the Government. One extract from this speech is apposite to some of the matters being examined by the Tucker Committee: "Our position is not unlike that of a man who, rather than go out to seek fuel, prefers to chop up his furniture for firewood. He may well be able to claim that he is as warm as his neighbours to-night—but what of to-morrow?"

## "Simplified Accounts"—Journey into the Ridiculous

One of our younger "backroom boys" had, he believed, solved the problem of simplifying company accounts and, at the same time, had produced a toy that could be passed on to the kiddies for their educational benefit. The shareholder's only requirement is a pair of weighing scales. Once a year he will receive from the company in which he is a shareholder two parcels. The first will contain a number of differently coloured blocks of wood of sizes proportionate to their inscription. A large block, for instance, will bear the description "Fixed Assets, £50,195" and a detachable segment in the middle will be marked "Written Off, £5,564." There will be a different block for every balance-sheet item, so that the shareholder can weigh one against the other to his heart's content. Over a period of years he will accumulate some hundreds of pieces, and they will all be directly comparable.

The second parcel will contain a ball of wood, which will represent the trading profit and will be collapsible into differently coloured segments representing the items on what the older hands in the accounting profession describe as the debit side of the profit and loss account. Each piece of wood will bear the initials of the firm of accountants-cum-woodcutters, and for colour-blind shareholders there will be a numerical key.

Ignoring the timber shortage, it was pointed out to our young enthusiast that it was feasible that, whereas a parcel the size of a ping-pong ball was all very well, some shareholders and the postal authorities might object to one the size of a football. "Football!" he exclaimed. "That's the answer!" and has now produced a multi-coloured balloon which has a fixed inflation. The pump is supplied by the company. Did someone ask who supplies the air?

# Publications

**BUTTERWORTHS COMPANY PRECEDENTS.**  
Edited by Ralph Sutton, M.A., K.C., and  
W. J. Williams, B.A., Barrister-at-Law.  
(Butterworth and Co. (Publishers), Ltd., London.  
Price £6 6s. net for two volumes.)

Following their policy of publishing separate reprints of some of the more important volumes of *The Encyclopædia of Forms and Precedents*, Messrs. Butterworth have put forward this edition of their *Company Precedents* as an independent publication. Its accuracy and reliability are guaranteed by the well-known names of lawyers who have contributed the various parts of the work.

The law is stated as at January 1, 1949, and the two volumes are divided into thirteen parts which correspond to some extent with the headings in the Companies Act, 1948. Each part has its own separate editor who contributes or revises a full preliminary note. The combined effect of the preliminary notes is to produce a fairly full account of the case law and statute law under the heading "Companies," and many practising lawyers habitually use these and other volumes of the encyclopædia as a means of quick and reliable reference.

Accountants will be disappointed if they expect to find in what is essentially a lawyer's book anything like a detailed statement of the law of accounts or precedents of the new forms of group and other accounts required by the 1948 Act. The nearest to such a subject matter are the statutory and special forms of revenue account, balance sheets, certificates, actuary's reports, etc., to be prepared by various types of assurance company.

In the index to the statutes there is only one reference to the Eighth Schedule, now so well known to accountants, and that is under the heading "Underwriting and Brokerage," where a brief reference occurs to the necessity for disclosing certain facts relating to commissions and discounts in the balance sheet.

This is, however, nothing to complain about, because accountants are accustomed to look elsewhere for guidance on how to draw balance sheets, profit and loss accounts and the various reports and certificates which the Act obliges them to issue. Nor would it be fair to omit to mention that a brief form of accountants' report of a vendor firm's average annual profit during the previous five years is to be found in the precedent of the first prospectus of a new manufacturing company.

So many company precedents are now

contained in the Companies Act, 1948, in its eighteen Schedules and in the Companies (Winding-up) Rules, 1949, that it must have taxed the selective ability of the editors to decide what to omit and what to include. For example, Form 108 of the Rules, which is the official form of the Declaration of Solvency to be made for the purposes of a voluntary winding-up pursuant to Section 283, has been included as it stands, but the Ninth Schedule, which sets out the matters to be expressly stated in the auditors' report, has been excluded as the basis of a precedent and is only briefly referred to in a sentence. The general purpose of the book seems indeed to have comprised the needs of directors, secretaries, liquidators and their lawyers, and the needs of accountants have been purposely excluded, or only lightly treated.

So far as liquidations are concerned, liquidators will find a useful twenty-page summary of the law relating to voluntary winding-up, as well as over seventy forms of notices and resolutions. Many of these are official forms to be found in the Companies (Winding-up) Rules, but they are none the worse for that. The choice of official forms might have been different if the emphasis had been on accountants' needs; for instance, a form of notice of disclaimer of onerous property might have been included (see Section 323 and Form 36 in the Winding-up Rules).

Enough has been said to show that this work has not been prepared specifically for accountants, but many accountants are nevertheless interested as directors and secretaries and, especially in the case of Incorporated Accountants, as liquidators, and it would be impossible to do justice, in the space of a short review such as this, to the wealth of information and precedent which this work provides. It compares very favourably indeed with the other works in the same field of practice. M. S.

**MEASUREMENT OF INDUSTRIAL EFFICIENCY.**  
By J. A. Scott, C.A., A.C.W.A. (Sir Isaac Pitman and Sons, Ltd., London. Price 15s. net.)

The need for improved industrial efficiency is generally accepted, but there is no accepted code of practice whereby the degree of efficiency attained by a business can be measured. The business man has no technical standards and formulæ comparable to those of the engineer, but must construct his own set of rules and devise standards appropriate to his particular undertaking. Mr. Scott's book sets out to help him to do this.

The simplest and most usual test of the efficiency of a business as a whole is the amount and trend of profits; but, as Mr. Scott shows, this test has shortcomings and can, at best, give no more than a broad overall picture. For a true assessment of efficiency more detailed and more precise information is needed. The method proposed by the author involves the analysis of the business structure into its various functional activities and the application to each of them of an appropriate series of efficiency tests. This is obviously the right way to go about the job, and business managements and accountants will find this part of the book worth study. Especially useful is the questionnaire which follows each chapter in this section. The questions (often deceptively simple) are not all appropriate to every business, but the technique can be adapted and expanded to suit any particular set of circumstances. Careful study of this type of question, honest answers, and application of the lessons learned are likely to be profitable.

The functional analysis gives some measure of efficiency in detail, but the results need to be aggregated to give a picture of efficiency as a whole. For this Mr. Scott suggests a system whereby "points" are allotted for normal efficiency and premiums awarded or penalties imposed for performance which is better or worse than normal. This system immediately brings us up against the major difficulty in the measurement of efficiency—the absence of absolute standards of general application throughout an industry. This lack of basic facts is unlikely to be made good in the near future (although some further standardisation of accounting methods and statistics would help) and the business man must make up his own mind as to the level of achievement he would regard as normally efficient. It is here that the hardest thinking will be needed, and though Mr. Scott shows how to go about the task, he rightly leaves it to the individual to work out the details for himself.

Mr. Scott's book is short, and much compression has had to be employed, particularly in the sections dealing with functional analysis, where a fuller exposition would sometimes be desirable. As Mr. Scott points out, the measurement of efficiency, though important, is no substitute for efficiency itself. On the other hand, some form of measurement of results is essential to the attainment of true efficiency, and this book provides a useful, and at times provocative, introduction to a complex and increasingly important subject.

P. G. J.



HOTEL OPERATION AND CONTROL. By Harold R. Taylor. (Practical Press, Ltd., 1, Dorset Buildings, Salisbury Square, London, E.C.4. Price 17s. 6d. net.)

The author of this book is obviously an enthusiast in his subject, and there can be no question but that he writes with a wide experience of hotel work. In distinguishing between "management" and "control," he suggests that the manager should see that the operation of his hotel earns a reasonable profit, and that the controller should ensure that such profit is not dissipated by laxity or misappropriation of goods or cash within the hotel. The duties of the control staff are dealt with under the various departments to be found in a large hotel. As the author points out, a hotel of any size is comparable to a collection of varying businesses being carried out in the same premises, with the same staff, many of them trading with each other, and with all the possibilities of collusion where cash and stocks are located at many different points, and are to a certain extent interchangeable.

His examples, from practical experience, of the many methods by which a dishonest employee, or employees in collusion, can appropriate a share of the hotel profits are extremely illuminating, and the steps by which such practices can be stopped by the control seem adequate, and in many cases ingenious.

The author's enthusiasm for his own job, however, has apparently instilled in him a contempt for the capabilities of the professional accountant, and, to a lesser degree, of the hotel manager. He devotes the first six or seven pages of a chapter on the control office to an attack on professional accountants, although he is good enough to say that "the average hotel controller would *probably* (our italics) be as much at sea in an accountant's office as a qualified accountant would be in a control office." From the examples he quotes of the failings and crass stupidity of various professional auditors, it would seem that his experience of professional auditors and accountants has been singularly unfortunate. The author, for instance, commits himself to the statement that "during a wide experience I cannot recollect a single instance where an accountant dealing with hotel audit has been able to uncover fraudulent practice." Comment is superfluous. After stating that he has yet to meet the controller who is a qualified accountant, he cites the following qualities as those required by a good controller: "A sense for interpreting figures and using them as a guide; an intimate knowledge of the working of all departments; a flair for moulding a system to cope with every eventuality; and a gift for organising," together with a retentive memory and the ability to absorb a lesson

from each new experience. Readers will judge for themselves in what degree these qualities may be found in the accountancy profession.

An index would have added considerably to the value of the book. J. L.

LARGE SCALE ORGANISATION. Edited by G. E. Milward, M.C. (MacDonald & Evans, London. Price 16s. net.)

A general interest in the intricacies of large-scale organisation and the art of administration and management has developed since the advent of nationalisation, and there is a growing appreciation that better organisation and management can make a substantial contribution to the solution of our economic problems. This book is therefore a timely publication, and is written by experts from some of the largest organisations in the country at the instigation of the Institute of Public Administration.

The editor deals with the reason for the book's existence in a foreword. He says: "The problems of size in organisation are comparatively new and are therefore not familiar or well understood, in part because these large organisations themselves are young or have recently grown in size . . . the building up of knowledge is of necessity a slow process."

He deals briefly with the top organisation of each of the industrial undertakings and public services represented; with the manner in which each organisation has decided on the division of work; with the problem of co-ordination, co-operation and communication and with the manner in which efficiency is secured and maintained. Organisation is defined as "the harmonious inter-relation of functions and staff," and this definition is accepted by the various contributors to this volume.

In an introduction, Mr. J. R. Simpson, C.B., Director of Organisation and Methods, H.M. Treasury, surveys the problems of organisation which confront those responsible for large-scale activities. He maintains that there is a lack of reliable information on large-scale organisation and a lack of broad understanding on the problems it produces. During a detailed examination of the subject he poses many questions on which he says enlightenment is needed and with which the contributors are expected to deal.

The eleven undertakings described in this book are almost completely dissimilar and consequently their forms of organisation and the structures of the relationships they employ vary to a considerable degree. However, as the contributors point out, these forms of organisation are not static. Indeed, as some of the undertakings are but a few years old it would be surprising if they were, and in the older organisations

many modifications to the forms of organisation have been made in an endeavour to find the most suitable structure for their individual undertakings.

The organisations range from Imperial Chemical Industries on the one hand to the London County Council on the other, and each undertaking is given in some detail. The contributors write in their official capacity, with the authority of position and the advantage of experience gained at first hand.

The final chapter is a summary by Sir Charles Renold, in which he discusses the reasons for the diversity of the organisational structures and practices revealed in the papers, and the apparent lack of general principles which has emerged. He suggests that the causes must lie in differences of purpose and circumstance and that the problem set to the several undertakings must differ fundamentally. He then postulates four features, each of which may be expected to exercise a determining influence on the pattern of organisation, and subjects each undertaking to these determinants.

From the evidence presented, Sir Charles is given the impression that the "mechanistic" conception of organisation, in which the design of organisation is approached from the viewpoint of designing a machine, has on the whole predominated over the humanistic conception, in which the organisation is regarded as a collection of people and the problem is that of establishing suitable relations between them. He says:

It is my conviction that we have reached a stage in the study of management and organisation at which much greater attention should be paid to discussing the laws of behaviour of human beings associated in communities. If we were clearer as to the essential bases of high morale in communities, and more convinced of the importance of the humanistic approach, I think that the large-scale organisations that we have been privileged to study would enter on a new phase of evolution.

This book is a valuable contribution to the study of modern administration and management, giving a good deal of useful, and otherwise unobtainable, information about the actual problems encountered by large undertakings and the variety of means employed to deal with them. H. K.

## BOOKS RECEIVED

INTRODUCTION TO INCOME TAX. By E. D. Fryer, A.L.A.A. Ninth edition. (Sir Isaac Pitman & Sons, Ltd. Price 6s. net.)

COMMITTEE PROCEDURE. An Elementary Handbook. By Kay Gilmour, F.R.G.S. (Methuen & Co., Ltd. 6s. net.)

## Legal Notes

*Landlord and tenant—Measure of damages for breach of covenant to repair.*

The Court of Appeal (1950, Weekly Notes, 159) has now allowed an appeal against the decision of the Lord Chief Justice in *Cunliffe v. Goodman* (reported in 1949, Weekly Notes, 465, and noted in ACCOUNTANCY, January, 1950, page 36). The Court held that in order to bring himself within the protection of Section 18 (1) of the Landlord and Tenant Act, 1927, the tenant must prove that at the date when the tenancy ended the landlord had the intention of pulling down the premises: the intention might be revocable but it must not be provisional. On the facts of this case the landlord never reached more than a provisional decision and accordingly the tenant had not discharged the onus of proof.

In the Court of Appeal counsel for the landlord did not press the second point raised in the Court below: that the agreement to reinstate was distinct from the agreement to repair and did not fall within Section 18.

In another Landlord and Tenant Act case (*Smiley v. Townshend*, 1950, Weekly Notes, 125) the Court of Appeal has upheld the decision of Lynskey, J., which was also noted in ACCOUNTANCY, January, 1950, page 36.

*Compensation for damage to requisitioned land.*

By Section 2 of the Compensation (Defence) Act, 1939, compensation for damage caused to land during requisition accrues and is due at the end of the period of requisitioning and is to be paid to the person who is then the owner of the land. "Owner" in this Section means the person who is receiving the rack rent of the land or who would so receive the rack rent of the land if it were let at a rack rent, and "rack rent" means a rent not less than two-thirds of the rent at which the property might reasonably be expected to be let from year to year.

In *Borthwick Norton v. Collier* (1950, Weekly Notes, 165) the Court had to consider the interpretation of this Section. In 1931 a freehold house was let for a long term at a rent of £150 a year which at that time was undoubtedly a rack rent. During the war the house was requisitioned and at the date of release there was some evidence

to show that £150 a year was no longer a "rack rent" according to the definition. The tenant accordingly claimed that the freeholder was not receiving the rack rent of the house and, further, that it was himself and not the freeholder who would receive the rack rent if the house were let at a rack rent, for during the tenancy the freeholder had, of course, no right to raise the rent. Hilbery, J., refused to accept this claim and found for the freeholder on two grounds: first, he was not satisfied that at the date of release the rent of £150 a year had ceased to be a rack rent, and second, even if it had ceased, the material date to be considered was the date of the lease. If the rent was a rack rent at the date of the lease the person still receiving that rent at the date of release was the owner as defined by the Section.

This decision may well be of importance to holders of leases for 99 years or for other long terms. A rent that is now far below the rack rent of premises might well have been a rack rent when the lease was created.

*Validity of Powers of Appointment.*

By his will a father had left certain property on trust for his daughter for life and thereafter on trust for such persons or person not being her husband as she might by deed or will whether covert or sole appoint. By her will the daughter left this property to a trust corporation upon trust to establish a charitable institution.

On these facts in *Re Harvey* (1950, 1 A.E.R., 491) three arguments were put forward to show that the purported exercise of the power was invalid. First, as the father's will referred only to persons and not to purposes, the power could only be exercised in favour of individuals who were to take the property beneficially. On this Vaisey, J., held that the argument could not stand in view of the decision in *Re Dilke* (1921, 1 Ch. 34). A general power or a power comparable to a general power was none the less general because the will referred to persons only and not to purposes: it was only through the instrumentality of persons that purposes could be effected.

Second, it was argued that the reference to the exclusion of a husband indicated that the class of appointees from which he was excluded must be a class of individuals

and not corporations or such a general conception of an appointee as was involved in the creation of a charitable trust. His Lordship said that there was nothing in this argument in so far as it was directed against the fact that the trustee was a corporation and that it did not matter either that the beneficiary was not an individual. This case could be distinguished from *Re Jones* (1945, Ch. 105) where the will had directed that the fund should be held for persons living at a particular time; in ordinary language, only individuals could live.

Finally it was said that the power of appointment was not a general power. His Lordship followed *Re Byron's Settlement* (1891, 3 Ch. 474) and said that as the daughter was unmarried at the time of her death and as, therefore, the excepted individual did not and could not exist, the power could be treated as a general power for all purposes. The exercise of the power was therefore valid.

*Construction of wills.*

Wills and instruments creating an annuity sometimes state expressly from what source, if any, an annuity is to be made up if there is a deficiency in the primary fund in any one year, but there have been many cases in which the statement has not been explicit and the assistance of the Court has been necessary. Although certain broad principles have now been established, the Court must always consider first the exact wording of the document to be construed and consequently precedents must be treated with caution. In *re Carey, deceased* (1950, Weekly Notes, 164) a testator left a fund on trust to pay the income "up to the sum of £1,000 per annum" to his daughter for life as long as she remained single; any income in excess of £1,000 was to be divided between certain other relatives. The daughter contended that if the income of the fund fell below £1,000 in any one year, she was entitled to have the deficiency made up from the income of future years. Danckwerts, J., held that this was not the true construction. The will directed how the surplus in any one year was to be distributed and it indicated that each year was to be treated separately; the testator never intended that the daughter could have recourse to any surplus to make up past deficiencies.

*Meaning of "shares."*

The case noted in ACCOUNTANCY, April, 1950, page 140, in which Romer, J., held that, *prima facie*, "shares" of a public company included stocks of that company has now been reported: *Re Boys' Will Trusts* (1950, 1 A.E.R., 624).



#### Bankruptcy—Leave to appeal out of time.

In *re Macadam* (No. 2) (1950, 1 A.E.R., 699) the Court of Appeal has now given the trustees of the settlement leave to appeal out of time against the decision of the Divisional Court noted in our May issue. Generally, under Order 58 of the Rules of the Supreme Court extension of the time for appealing is a matter for the unfettered discretion of the Court of Appeal, but bankruptcy appeals are governed by the special provisions of Rule 130 of the Bankruptcy Rules, 1915, under which an extension of time can only be granted under "special circumstances." The Court said that a mere mistake by legal advisers was not enough to qualify as "special circumstances" but that in this case there were other matters which together did justify an extension of time.

#### Conditional will—Extrinsic evidence to explain ambiguity.

In *re Govier* (1950, W.N., 213) the deceased had died a natural death in 1949. In 1941 she and her husband had made a joint will, duly signed and executed by both, by which "in the event of our joint deaths" they appointed an executor and made certain bequests. Willmer, J., decided that this phrase would not have been included if it merely referred to something which in the ordinary course of events was bound to happen some day. Apart from that interpretation, which he rejected, the phrase was ambiguous and extrinsic evidence of the circumstances in which the will was made was admissible to explain the ambiguity. After reading an affidavit by the husband the learned Judge was satisfied that the phrase referred to the contingency of both husband and wife being killed by the same bomb or other war-time missile and that the will was conditional upon this contingency. As this contingency had never occurred, the will was inoperative (*In the Goods of Hugo*, 1877, 2 P.D. 73). Accordingly, since the deceased had left no other will, she was held to have died intestate.

It may be remembered that *Hugo's* case decided further that a will dependent upon a contingency which does not happen is inoperative even to revoke a former will.

#### Sufficiency of attestation clause.

By Rule 4 of the Principal Probate Registry Rules (non-contentious business): "If there be no attestation clause to a will or codicil presented for probate or if the attestation clause thereto be insufficient, the registrars must require an affidavit from at least one of the subscribing witnesses, if they or either of them be living" to prove that there has been compliance with the provisions of the Wills Act, 1837 (Section 9), and of the Wills Act Amendment Act, 1852.

The case of *In the Estate of Selby-Bigge, Decd.* (1950, W.N., 231) concerned a will and codicil in both of which the attestation clause read: "Signed by the testatrix in our presence and attested by us in the presence of her and of each other." The registrar had taken the point that this clause was insufficient as it contained no reference to "subscription" by the witnesses, subscription being one of the requirements of Section 9 of the Wills Act. Hodson, J., said that it was unnecessary to cover in the attestation clause the whole process required by the Section: it was true that in its primary meaning the word "attestation" involved "witnessing" and witnessing only, but when it was applied to documents it also involved writing as the authorities and the dictionaries showed. In his Lordship's opinion, therefore, the word "attest" was sufficiently wide to include "subscribe" in connection with a document such as a will. Accordingly the attestation clause was sufficient and no affidavit from a subscribing witness was required.

#### Probate practice—Administration of estate pending suit.

A testator died leaving a will and two codicils. The will was not disputed but the validity of the codicils had been challenged and a probate action was pending. The plaintiffs in the action considered that they or some other fit and proper persons should be empowered to deal with the estate pending suit for the purposes, *inter alia*, of changing investments and collecting dividends and also of paying out sums for the maintenance of the deceased's infant son, who would be entitled to share in the estate whether or not the codicils were valid. Accordingly, by their attorneys, they moved the Court for a suitable order.

Upon their motion (*In the Estate of Miesegaes*, 1950, W.N., 232) the plaintiffs' attorneys undertook not to distribute the estate beyond what was necessary for its preservation and for the maintenance and education of the child, and on this basis Willmer, J., ordered that they should be granted letters of administration with the will annexed for the use and benefit of the executors until they should themselves duly apply for, and obtain, probate.

#### Appointment of single administrator.

By Section 160 (1) of the Supreme Court of Judicature (Consolidation) Act, 1925, if an estate exceeds £1,000, letters of administration to that estate "shall if . . . a life interest arises under the will or intestacy, be granted to a trust corporation . . . or to not less than two individuals." By Section 162 (1) of the same Act administration on an intestacy was to be granted to persons interested in the residue, unless the estate

was insolvent or there were special circumstances, in which case the Court might make a grant to "some other person." In *Re Herbert* (1926, P. 109) it was held that the effect of Section 162 (1) was to allow the Court in a case to which that sub-Section applied to make a grant to a single individual, even if the estate exceeded £1,000. This decision was, however, disapproved by the Court of Appeal in *Re White* (1928, P. 75).

Then Section 162 (1) was amended by Section 9 of the Administration of Justice Act, 1928, and the discretion of the Court to grant administration in special circumstances to such person as they thought expedient was expressed to be exercisable "notwithstanding anything in the 1925 Act." It had been thought that the effect of this amendment might be to render obsolete the decision in *re White* (see *Halsbury Statutes*, 2nd Edition, vol. 9, page 778, and the *Annual Practice*, 1949, page 3274), but in *Re Hall* (1950, 1 A.E.R., 718) Willmer, J., has now decided to the contrary. If the estate exceeds £1,000 and a life interest arises under the will or intestacy, administration cannot be granted to less than two individuals.

#### Proper fund for payment of legacies and legacy duty.

A testatrix gave certain legacies free of duty and then disposed of her residuary estate equally between four persons. One of the four predeceased her and the question arose whether the legacies and the duty payable thereon should be paid primarily out of the lapsed share or whether they should be paid out of the whole residue before this was divided into four equal parts.

In *re Beaumont's Will Trusts* (1950, 1 A.E.R. 802), Danckwerts, J., held that as the Administration of Estates Act, 1925, Section 34 (3) and Schedule I, part II, had made no special provision to cover the point, the law applicable before 1926 still applied: the legacies and the duty must be paid out of the whole residuary estate, so that the lapsed share would be simply a quarter share of the estate after those burdens had been cleared.

Mr. W. J. Busschau, D. PHIL. (Oxon), C.A. (S.A.), Johannesburg, has recently accompanied Dr. J. E. Holloway, Secretary for Finance, Union of South Africa, on an official visit to the International Monetary Fund, Washington, U.S.A. Dr. Busschau is the author of a recent work on *The Measure of Gold*, published in South Africa. He was formerly a Rhodes Scholar at Christ Church, Oxford. He was a guest of the Society at the first course held at Caius College, Cambridge, in 1935.



# THE SOCIETY OF Incorporated Accountants

## SIXTY-FIFTH ANNUAL GENERAL MEETING

THE SOCIETY'S SIXTY-FIFTH ANNUAL GENERAL meeting was held at the Hall of the Chartered Auctioneers' and Estate Agents' Institute (by kind permission of the Council of that Institute) on May 24.

Mr. A. Stuart Allen (President) took the chair, and delivered the address reproduced on pages 186 to 189 of this issue.

The President moved the adoption of the report and accounts. This was seconded by Mr. C. Percy Barrowcliff (Vice-President).

Mr. E. EMMERSON (Yorkshire) thanked Mr. Allen for the stress he had placed on the rising price level. There was one small point that he thought was overlooked in the speech. They must not forget that much of the rise in prices was due to purchase tax. However iniquitous and anomalous the Finance Act as a whole might be, that tax was intolerable.

Mr. R. R. DAVIES (Cardiff) expressed admiration for the new and pleasing form of the annual report and accounts. The year 1949 was one of great activity. There was an Annual Conference at Birmingham, a Refresher Course at Cambridge, a record number of examination candidates and a further increase in the membership. Quite obviously the staff had carried on under very great difficulties. He was glad to note that the restoration of Incorporated Accountants' Hall was progressing to the extent that it was expected that the next year's meeting would be held in the building of which they were so rightly proud. (Applause.)

Mr. F. A. ROBERTS (London) said that there was considerable uncertainty in the profession on the proper treatment of extraneous items. He was pleased to see in the current issue of *ACCOUNTANCY* that in the section *Points from Published Accounts* it was suggested—in his view rightly and legally—that extraneous items should be put, as they termed it, below the line. The surplus of £4,461 on the Society's income and expenditure account was after charging no less than £2,079, which in its very essence must have been non-recurring expenditure. He referred to the items "rent and rates of temporary premises" and "removal to and alterations at temporary premises." He suggested that the accounts would be in better shape if the £2,079 were shown below the line.

Mr. J. E. SPOORS (Newcastle-on-Tyne) thought that the suggestion that they

should replace assets at the higher cost out of profits was rather academic. Was it not reasonable that they should expect to increase companies' capital by calling on savings from outside the companies? It seemed quite impossible to maintain the productivity of businesses out of accumulated profits.

Mr. B. R. POLLOTT (London) said that with considerable trepidation he drew attention to recent legislation on the question of the age limit for company directors. He did so at that stage rather than later because he wanted it to be clear that his remarks were on matters of principle and were not addressed to any particular individuals. The Society's members drew their livelihood from holding themselves out as competent to advise other companies. The report of the Cohen Committee proposed legislation for an age limit on company directors and that reached the Statute Book two years ago. The best course was for directors reaching the age of 70 voluntarily to refrain from seeking re-election. It would still be open to their fellow members in an exceptional case to suggest re-election if they felt that nowhere amongst the 8,500 other members of the Society was there a man with the same energy, the same sagacity and the same statesmanship. He thought the Society should be in the forefront of progress in this matter, as it was in many other directions. It should be an unwritten rule of conduct that on reaching the retiring age of 70, Council members would gracefully retire and become ordinary members of the Society: he asked members to vote against the appropriate resolutions to be put to the meeting later.

Mr. A. V. HUSSEY (London) congratulated the President for having the courage to say quite publicly and openly where the present trend of taxation and legislation was leading. He computed the net expenses per member of the Society (after crediting sundry receipts such as examination fees, contributions from the London Students' Society and the like) to be £4 2s. 6d. The Fellow in practice in London contributed 9 guineas a year, meeting his share of the expenses twice over. The Associate in practice in London paid 6 guineas a year, meeting his expenses plus 50 per cent. The Associate in London not in practice paid 3 guineas a year. In the provinces those rates were reduced, and abroad they were even lower still. During recent years there

had been suggestions that industrial accountants were entitled to representation on the Council, and that representation was accorded to them. The industrial accountant, and others who would not call themselves industrial accountants but who were not accountants in practice, owed their present position to the qualification of Incorporated Accountant. He wondered whether the Council would like quietly to reflect on this and whether those members should not perhaps come up to expectations on their side by meeting their full and proper contribution towards the expenses of the Society.

Mr. F. DEAN (Bradford) commented that they had apparently extracted £3,500 from students in fees in excess of the cost of the examinations. He drew attention to the fact that the pressure on the examination centre in Leeds was definitely heavy. He appreciated the difficulties but suggested that, in view of the fact that they had a surplus on examinations, the Council might consider the possibility of opening an additional centre in the North-East.

Mr. G. S. JUDD (London) thought that younger accountants were gratified that the Chancellor of the Exchequer was setting up a committee to inquire into pensions for persons in professional work. He asked whether the Council would consider operating a scheme for young accountants.

Mr. J. LOVE (Irish Branch) said that it would be a great pity if automatically every member of the Council who reached the age of 70 retired. The Companies Act dealt mainly with paid directors. With their body they were concerned with gentlemen who gave them their services—very valuable services. He did not think that that point should be overlooked.

Mr. C. R. RIDDINGTON (Leicester) said that emphasis must be placed on the preservation of capital, but at the same time there was a danger, if undue weight was put upon this subject, that other matters relevant to the problem would be overlooked. Capital re-equipment was a gradual process and was very often done at convenient times in industry. The inference that he drew from the President's address was that it was better to re-equip in times of slump and to make do when there was a boom. It did, however, bring home to them the general consideration of the effect of taxation on business plans. The whole problem threw into relief the part that accountants were playing in formulating policy, as distinct from the rather narrow and specialised field that they were thought to occupy. They must thank the President for directing attention to this matter.

Mr. E. E. PEARCE (Cardiff) asked whether the Council was satisfied with the fact that only 127 Associates became Fellows during 1949. There were many

Associates who could have applied for Fellowship long ago if they had so wished and who would have been elected.

Mr. H. S. PARKIN (Newcastle-on-Tyne) said that it might interest members to know that in Newcastle they were discussing whether the number of examination candidates in the area justified a centre being opened. They were inquiring about accommodation and similar questions and he hoped that something further would develop.

THE PRESIDENT, replying to the discussion, said that the examination expenses shown in the accounts were the direct expenses. Many of the overhead expenses of the Society were attributable to the examination work, but there had never been any attempt to departmentalise their revenue account. Moreover, he thought that any surplus would probably prove to be fortuitous. In the previous year there was a deficit. As far as he could see the trend of examination fees might well be downwards. As regards accommodation and new centres, the difficulty was that halls had to be booked far ahead, before it was known who would be sitting. Comments and criticism from persons in a position to speak from first-hand knowledge were welcomed, so that all the while there could be a re-consideration of the examination facilities.

With regard to the effect of purchase tax on the prices of consumers' goods, there no doubt was overall a tendency for purchase tax somewhat to inflate the price level but that, after all, was the price level with which they had to live. He cited that price level only because it was the one that was much in their minds.

Reference had been made to there being too much emphasis on the need for industry to supply its own capital. But personal savings were virtually impossible in view of the very high rates of income tax and surtax. It was the higher income brackets that used to provide the main source of investment in risk capital. That source had practically dried up.

With regard to Mr. Hussey's point, the distinction was between accountants in practice and accountants not in practice, the latter group covering a whole range of members employed by professional firms, in industry, and in municipalities: to some extent the practising accountants did get more help in their practice than the employee from the activities of the Society. Anything approaching a means test in determining subscriptions to the Society was the last thing they wanted.

On the question of pension schemes, he was quite sure of one thing from a long study of this matter. Nothing could be more suicidal than for their Society in those difficult days of economic uncertainty and stress to accept any responsibility for any

pension scheme. The only thing that they could do in the interests of the members would be to ensure that if any omnibus scheme could be launched in any way it must be backed by the resources, accumulated over many many years, of the best assurance companies in the country. Anything else would be inviting a catastrophe, which was, he thought, the only word that he could use.

The Cohen Committee inevitably had to reach some arbitrary decision and give an indication of what they considered might be a reasonable general age at which an office of profit should be relinquished. They were not concerned at that meeting with an office of profit, but quite the reverse. They were anxious, and always had been anxious, to have on the Council men of ability and experience, men who, in particular, would be able to afford the very great deal of time that was essential and which all members of the Council devoted to the work of the Council and its Committees. It was an ever-increasing problem to find men who could spare that time. Whenever they could they sought younger men because it was realised that new ideas could serve as an inspiration. But it was not easy to find younger men who had the time.

It had been mentioned more than once at the meeting that in many respects the Society was in the forefront. It took the lead. Under whose guidance was that? It was under the guidance of the Council that they had. Surely that did not suggest that the age of the Council had been any barrier to progress? Rather the reverse.

As members knew, the Society had had some rather difficult times since the war. They were working under most uncomfortable conditions. He thought he could say that as regards some of the senior members of the Council they had agreed to continue to give them the benefit of their experience and their wisdom only until more normal times had returned. Their knowledge and experience had been invaluable and they were still invaluable, but they recognised that before long the time might come when they would say: "I have done what I have done to the best of my ability." When that time came it would be difficult for those who remained on the Council to express adequately the debt that they owed to their senior colleagues.

Mr. Pearce had pointed out that only 127 Associates had risen to Fellowship in 1949. If he could suggest any stimulus that could be applied to ensure that Associates who were entitled to become Fellows would make application, they would be delighted to give favourable consideration to his suggestions.

MR. E. CASSELTON ELLIOTT (Chairman,

Finance and General Purposes Committee), replying to questions raised on the accounts, said that Mr. Roberts's point was, he thought, made under a misapprehension. They were out of their Hall and it was the duty of the Council to provide premises. The rates on the Hall were only £15, because they were not occupying it. Therefore the figures were, he thought, quite correctly stated.

Mr. Elliott said he thought that every member paid his due for the services which were rendered to him. He did not think that they could complain at certain members not paying quite so much. That was a matter which had had the consideration of the Council. When the subscriptions were last increased, they came to the conclusion that the present figures were the fair subscriptions to be charged. They had been paid quite willingly.

The report and accounts were adopted.

THE PRESIDENT said that the next item on the Agenda was one which it gave him the utmost pleasure to propose. He could add but little to the terms of the resolution itself. That was not because there was not a great deal that could be said but it was rather because what could be said would be said in another place that evening. As they all knew, Mr. Garrett had not only served the Society as its Secretary for more than 30 years but had been the friend and well-wisher not only of every member of the Society but of every student who aspired to become a member. (Hear, hear.)

The President then read the resolution:

"That members of the Society of Incorporated Accountants and Auditors in general meeting assembled, tender to Mr. Alexander A. Garrett their sincere and heartfelt thanks for his devoted service as Secretary of the Society from 1919 to 1949. Members desire particularly to record that the growth in the status and activities of the Society has been due in no small measure to Mr. Garrett's zeal and ability. He made friends wherever he went and his sterling qualities made him an outstanding figure in the accountancy profession, both at home and overseas. Incorporated Accountants extend their sincere good wishes to Mr. and Mrs. Garrett for their future happiness.

MR. E. CASSELTON ELLIOTT, seconding, said that Alexander Garrett was a very old friend of his. They had travelled much together. The operative words of the resolution were "he made friends wherever he went." (Applause.)

The resolution was carried unanimously with loud acclamation.

MR. A. A. GARRETT said that he had thought that as a very junior member of the Society it was his job to keep quiet. Also, he was the only member who did not pay a subscription. The third reason for brevity was that he was doing what he had never done in his life before. He was

(Continued on page 225)

# SIXTY-FIFTH ANNUAL REPORT

## PRESIDENT AND VICE-PRESIDENT

AT A MEETING OF THE COUNCIL HELD ON Wednesday, May 25, 1949, Mr. Albert Stuart Allen, F.S.A.A., London, was elected President in succession to Sir Frederick Alban, C.B.E., F.S.A.A., Cardiff and Newport (Monmouthshire). Mr. Charles Percival Barrowcliff, F.S.A.A., Middlesbrough, was elected Vice-President.

## RETIREMENT OF MR. A. A. GARRETT

Mr. A. A. Garrett, M.B.E., M.A., retired from the Secretaryship of the Society on December 31, 1949. He joined the staff in 1909, became Assistant Secretary in 1913, and was appointed Secretary in 1919. Throughout this long period of 40 years Mr. Garrett gave devoted service to the Society and the growth in its status and activities has been in no small measure due to his zeal and ability. The Council places on record its indebtedness to Mr. Garrett for his unselfish and unremitting service. He made friends wherever he went and his sterling qualities have made him an outstanding figure in the accountancy world, both at home and overseas. Mr. Garrett is assured that both he and Mrs. Garrett carry with them the sincere good wishes of every member of the Society.

In July, 1949, Mr. Garrett was elected an Honorary Member of the Society; this honour has been conferred upon only ten persons since the Society was formed.

## OBITUARY

The Council records with deep regret the deaths during 1949 of seventy-two members.

The Society suffered a great loss by the death on March 15, 1950, of Mr. Charles Hewetson Nelson, F.S.A.A., and the Council wishes to record a tribute to his leadership and to his outstanding work for Incorporated Accountants. Admitted to membership in 1898, Mr. Hewetson Nelson served on the Council for forty-six years and was President of the Society from 1913 to 1916. He was Vice-President from 1910 until 1913, and had the distinction of being appointed to this office for a second term in 1935 during the Fiftieth Anniversary celebrations. For many years Mr. Hewetson Nelson was Chairman of the Board of Examiners and of the Finance and General Purposes Committee. It was a matter of deep regret when, in 1946, he resigned from membership of the Council because of ill health. In July, 1946, he was elected an Honorary Member in recognition of his life's work for the Society.

## MEMBERSHIP

	Fellows	Associates	Hon. Members	Total
As at December 31, 1947	1,784	6,109	1	7,894
As at December 31, 1948	1,810	6,371	1	8,182
Add:				
New Members	1	440	1	442
Transferred from Associateship	127			127
Re-admissions		6		6
	1,938	6,817	2	8,757
Deduct:				
Transferred to Fellowship		127		127
Resignations	11	26		37
Deaths	35	37		72
Other Causes	2	23		25
Number on Roll at December 31, 1949	1,890	6,604	2	8,496
Net increase during year	80	233	1	314
Members in practice	1,520	1,733		3,253
Members not in practice	370	4,871	2	5,243
	1,890	6,604	2	8,496

## EXAMINATIONS

The number of candidates who presented themselves for the examinations held in May and November was 29 per cent. higher than in 1948. It is satisfactory to record that the percentage of successful candidates increased from 40 per cent. for the year 1948 to 47 per cent. for 1949.

Year	FINAL		INTERMEDIATE		PRELIMINARY		TOTAL	
	No. of Candidates	Passed	No. of Candidates	Passed	No. of Candidates	Passed	No. of Candidates	Passed
1946	228	70—31%	284	121—43%	105	47—45%	617	238—39%
1947	664	224—34%	400	165—41%	125	45—36%	1,189	434—37%
1948	969	399—41%	763	295—39%	144	59—41%	1,876	753—40%
1949	1,060	484—45%	1,164	583—50%	209	95—45%	2,433	1,162—47%

## EXAMINATION CENTRES

The examinations were held at eight centres during 1949. The Council recently approved the establishment of a new centre at Liverpool, and in future examinations will be held at Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London and Manchester.

## HONOURS, PRIZES AND CERTIFICATES

Prizes and Honours Certificates were awarded to the following candidates:

### FINAL EXAMINATION

#### 1st Certificate of Merit

Melhuish, William Adrian, M.A., Zomba  
May, 1949  
Bonner, Frederick Ernest, London (Prize)  
November, 1949

#### 2nd Certificate of Merit

Mullett, Raymond Kenneth, Dudley  
May, 1949  
Shuttleworth, William, Liverpool (Prize)  
November, 1949

#### 3rd Certificate of Merit

Terry, Albert Reginald, London  
May, 1949  
Pritchard, William John, Rhyl  
November, 1949

#### 4th Certificate of Merit

Hedgman, George Edward, London  
May, 1949  
Macdonald, Robert Ian, Liverpool  
November, 1949

#### 5th Certificate of Merit

Tomlinson, Walter, Bradford  
November, 1949

#### 6th Certificate of Merit

Bowerman, John William, London  
November, 1949

## INTERMEDIATE EXAMINATION

#### 1st Place Certificate

Wilson, John Vertue, London (Prize)  
May, 1949  
Cooper, Peter Robert, London (Prize)  
November, 1949



## 2nd Place Certificate

Down, Gordon Harold, Cardiff (Prize)  
May, 1949  
McKee, Harold Leslie, Dublin (Prize)  
November, 1949

## 3rd Place Certificate

Genese, David Alfred, London May, 1949  
Smart, Alan George, London (Prize)  
November, 1949

## 4th Place Certificate

Hunt, John Harvey, Portsmouth  
May, 1949  
Tilley, Victor Albert, London  
November, 1949

## 5th Place Certificate

Grayson, James Gomm, London  
May, 1949  
James, Derek Albert, London  
November, 1949

## 6th Place Certificate

Keyse, John Ernest Samuel, London  
May, 1949  
Bagley, Henry Joseph, London  
November, 1949

## 7th Place Certificate

Hopper, Arnold, Darlington May, 1949

## PRELIMINARY EXAMINATION

### 1st Place Certificate

Hutchinson, Alexander, Portrush (Prize)  
May, 1949

## MEDALS AND SPECIAL PRIZES

The following special awards were made by the Council :

A Gold Medal for the 1949 Final Examinations to Frederick Ernest Bonner, formerly Borough Treasurer's Department, Ealing.

A Silver Medal for the 1949 Final Examinations to William Shuttleworth, with Cooper Brothers & Co., Liverpool, who also received the Henry Morgan Memorial Prize for meritorious work in the group of Accountancy subjects.

The Sir James Martin Memorial Exhibition in respect of the May, 1949, Intermediate Examination to John Vertue Wilson, clerk to Mr. A. S. Hitchings (Martin, Farlow & Co.), London ; and in respect of the November, 1949, Intermediate Examination to Alan George Smart, clerk to Mr. Mervyn H. Bradbury (Myring & Bradbury), London.

The Arthur E. Piggott (Manchester) Prize for special merit in Accountancy and Auditing in the 1949 Final Examinations to John William Bowerman, clerk to Mr. Norman H. Trapp, (Brebner, Allen & Trapp), London.

## ARTICLED CLERKS AND BYE-LAW CANDIDATES

The total enrolments of articulated clerks and bye-law candidates during 1947, 1948 and 1949 were :

			Articled Clerks	Bye-law Candidates	Total Candidates enrolled
1947	..	381	973	1,354	
1948	..	570	768	1,338	
1949	..	538	771	1,309	

## REVISED EXAMINATION SYLLABUS

The Council has approved a revised examination syllabus and certain modifications in the regulations governing admission to the Society's examinations ; these will come into effect on November 1, 1951. Details of the revised syllabus and regulations were given in ACCOUNTANCY, November, 1949, page 313.

## PRELIMINARY EXAMINATION EXEMPTION

In 1951 the School Certificate and Higher School Certificate are to be replaced by a General Certificate of Education. Details of the proposed change were published in the November, 1948, issue of ACCOUNTANCY. Subject to any alterations which may subsequently be made in regard to the conditions governing the award of the new certificate, the Council has decided that a General Certificate of Education awarded by a recognised examining body will be accepted for the purposes of exemption from the Society's Preliminary Examination provided :

(a) the certificate contains a pass at the ordinary level in :  
English or English Language ; Mathematics (not Arithmetic alone) ; and three other subjects of which one must be History or Geography.

or

(b) if either English or Mathematics is taken at the advanced standard, the certificate need only contain :  
English or English Language ; Mathematics (not Arithmetic alone) ; and two other subjects.

The examining bodies recognised for the purpose of these requirements are : Cambridge Local Examinations Syndicate ; Northern Universities Joint Matriculation Board ; Oxford and Cambridge Schools Examination Board ; Oxford Delegacy of Local Examinations ; University of Bristol ; University of Durham ; University of London ; Welsh Joint Education Committee.

## REPORT OF A SPECIAL COMMITTEE ON EDUCATION FOR COMMERCE

A committee, appointed in 1946 under the chairmanship of Sir Alexander Carr Saunders, recently presented to the Minister of Education its report on education for commerce. The Society submitted a memorandum to the committee, which was supplemented by oral evidence given by Mr. E. Cassleton Elliott, F.S.A.A., Mr.

Bertram Nelson, F.S.A.A., and Mr. A. A. Garrett. The main recommendations of the committee, in so far as they affect the profession, were reviewed in the editorial in the January, 1950, issue of ACCOUNTANCY.

## EDUCATIONAL ADVISER

The Council records its appreciation of the valuable advice given by Mr. S. H. Wood, C.B., M.C., upon educational matters.

## DEFERMENT OF NATIONAL SERVICE

Changes in the regulations governing deferment of national service were announced by the Ministry of Labour and National Service in 1949 which affect both articulated clerks and bye-law candidates. As a general principle, deferment will not be granted to a student who commences a course of training which cannot be completed before his 26th birthday ; furthermore, a student commencing training which will last beyond his 24th birthday will be required to sign a statement recognising that, in any event, he will be liable to be called up not later than the last call-up day before his 26th birthday.

## INCORPORATED ACCOUNTANTS' HALL

Restoration work at Incorporated Accountants' Hall has been in progress since March, 1949, and it is anticipated that the Hall will be ready for re-occupation by the autumn.

As the accommodation afforded by the Hall is inadequate for present needs, plans were submitted to the Ministry of Works for an extension thereto at an estimated cost of £14,000. The Ministry has deferred until August, 1950, consideration of this application.

## COURSE AT CAIUS COLLEGE, CAMBRIDGE

Ninety-eight members attended a course held at Caius College, Cambridge, from April 1 to 5, 1949. Papers were read by Mr. R. C. G. Clarke, M.A., Mr. D. F. Evans-Hemming, F.C.W.A., Mr. L. C. Hawkins, F.S.A.A., Mr. Bertram Nelson, F.S.A.A., Mr. Lawrence W. Robson, F.C.A., F.C.W.A., and Mr. H. A. R. J. Wilson, F.C.A., F.S.A.A.

The Council records its gratitude to the Master and Fellows of Caius College for placing the College at the Society's disposal, and to those responsible for the papers.

## CONFERENCE IN BIRMINGHAM

At the invitation of the Birmingham and District Society, a conference of the Society was held in Birmingham on September 21, 22 and 23, 1949. Papers were presented by the President, Mr. A. Stuart Allen, F.S.A.A., on "The Democratic Principle in Income Tax," and by Sir Richard Yeabsley, C.B.E., F.C.A., F.S.A.A., on "What may Management expect from the Accountancy Profession ?"

Members were entertained on the opening night of the conference by the Lord Mayor and Lady Mayoress of Birmingham (Alderman and Mrs. Hubert Humphreys) at a civic reception and dance at the Council House. A banquet was given by the Society on the evening of September 22. Opportunities were afforded to visit important factories in the locality.

The Council records its gratitude to the Birmingham District Society, particularly to Mr. V. W. Grosvenor, LL.B., F.S.A.A., President; Mr. T. Harold Platts, F.S.A.A.; Mr. C. Wheatley, F.S.A.A., Honorary Secretary; and the other members of the Birmingham District Society Committee.

**THE AUSTRALIAN CONGRESS ON ACCOUNTING**  
The Second Australian Congress on Accounting was held in Sydney in November, 1949. The Society was represented by Mr. A. A. Garrett, who was accompanied by Mrs. Garrett. Papers presented included "The Future Role of the Accountant" by Mr. Gilbert Shepherd, M.B.E., F.C.A. (Past President of the Institute of Chartered Accountants in England and Wales), and "The Influence of Economic Ideas on the Formal Statement of Accounts and the Principles of Accountancy Measurement" by Mr. F. Sewell Bray, F.C.A., F.S.A.A. An account of the proceedings is given in articles by Mr. Garrett and Mr. R. Keith Yorston, F.C.A. (Australia), published in the January and February, 1950, issues of ACCOUNTANCY respectively. An account of the organisation of the profession in Australia appeared in the September, 1949, issue of the journal.

The Council records its warm thanks for the welcome and hospitality extended to Mr. and Mrs. Garrett while in Australia and during their subsequent visit to New Zealand.

#### SIXTH INTERNATIONAL CONGRESS ON ACCOUNTING

It was announced in February of this year that the Congress Council had reluctantly decided to postpone the Congress until 1952 owing to the impossibility of securing adequate accommodation in 1951.

#### AMERICAN INSTITUTE OF ACCOUNTANTS

The President and Council had the pleasure of entertaining in London during 1949 the President of the American Institute of Accountants, Mr. Percival Brundage, C.P.A.; the Vice-President, Mr. T. Coleman Andrews, C.P.A.; Mr. George O. May, C.P.A.; and Colonel Andrew Stuart, C.A., C.P.A.

#### BRANCHES AND DISTRICT SOCIETIES

The annual conference between representatives of Branches and District Societies and members of the Council was held in London

on May 26, 1949, and was followed by a meeting of Honorary Secretaries and the officers of the Society.

The Council records its appreciation of the work of the Committees of Branches and District Societies and wishes to pay a particular tribute to Honorary Secretaries, upon whose voluntary services members and students so largely depend.

The Scottish Branch of the Society (which was originally founded in 1880 as the Scottish Institute of Accountants) celebrated in 1949 the fiftieth anniversary of its affiliation to the Society. At a dinner to mark the occasion, held in Glasgow on December 1, Mr. A. Stuart Allen expressed the gratitude of the Society to Mr. James Paterson, who is now in the fifty-second year of his membership and who has been Secretary of the Scottish Branch for forty-three years.

The President and individual members of the Council also visited the Irish Branch and many District Societies during 1949.

#### SOUTH AFRICAN BRANCHES

Liaison with South African Branches has been maintained by the visit to London in July, 1949, of Mr. A. R. Butcher, Honorary Secretary of the Eastern Branch, and by the visit of Mr. A. A. Garrett to South Africa in March, 1950. Mr. Butcher attended the July meeting of the Council, at which a warm tribute was paid to the work of the three Branches of the Society in South Africa. The following extracts from the 1949 Report of the South African Branches show the strength of the membership of the Society in the Union:

Membership	Western Branch	Northern Branch	Eastern Branch	Total
<i>Fellows</i>				
At Dec. 31, 1948 ..	32	67	23	122
Deaths .. ..		2		2
<i>Associates to Fellows</i>				
	32	65	23	120
	3	2	2	7
At Dec. 31, 1949 ..	35	67	25	127
<i>Associates</i>				
At Dec. 31, 1948 ..	95	217	48	360
Resignations ..	2	1		3
Transferred to Fellowship ..	3	2	2	7
Transferred to other Branches ..	2	6	2	10
<i>New Members</i> ..	88	208	44	340
Transferred from other Branches ..	1	19	6	26
At Dec. 31, 1949 ..	12	15		27
At Dec. 31, 1949 ..	101	242	50	393
<i>Total Membership at Dec. 31, 1949 ..</i>	136	309	75	520

#### Articled Clerks

Seventy-eight Articles of Clerkship were registered during the year. The numbers of Articled Clerks on the Branch Registers at December 31, 1949, were as follows:

Western .. ..	20
Northern .. ..	175
Eastern .. ..	44
	<u>239</u>

#### Income Tax Commission

The Branches take this opportunity of congratulating the Joint Council of the South African Chartered Accountants Societies on the excellence of their Memorandum on Income Tax which is to be submitted as evidence to the above Commission. It is pleasing to record that many of the members of the South African Societies who were responsible for the preparation of the Memorandum were Incorporated Accountants and that Mr. R. Steyn, F.S.A.A., is the Chairman and Mr. A. S. Aiken, F.S.A.A., is a member of the Commission.

#### Other Branches and Societies

Branch Committees have worked in close collaboration with each other and with the four South African Provincial Societies and the Rhodesia Society of Accountants. Congratulations are extended to the following members on their election to responsible posts during the year under review:

- J. C. Macintosh, F.S.A.A.—Chairman, Joint Council of the Societies of Chartered Accountants of South Africa.
- G. E. Noyce, F.S.A.A.—Vice-Chairman, Joint Council of the Societies of Chartered Accountants of South Africa.
- H. G. Galbraith, F.S.A.A.—Chairman, South African Accountants' Societies General Examining Board.
- K. L. Smith, M.A., F.S.A.A.—Vice-Chairman, South African Accountants' Societies General Examining Board.
- R. B. Sinclair, F.S.A.A.—President, the Transvaal Society of Accountants.
- H. V. Fraser, A.S.A.A.—President, the Rhodesia Society of Accountants.
- R. H. Button, F.S.A.A.—Chairman, the Natal Society of Accountants.
- S. L. Deane, M.C., F.S.A.A.—President, the Society of Accountants and Auditors in the Orange Free State.

#### ACCOUNTANTS' JOINT PARLIAMENTARY COMMITTEE

The Accountants' Joint Parliamentary Committee has considered all Parliamentary Bills relating to the qualification and status of accountants and auditors; it is satisfactory to note that Parliament has continued to prescribe membership of one or more of the bodies represented on the committee as an essential qualification for appointment as auditor in the measures establishing new public authorities.

A deputation from the joint committee met the Registrar of Friendly Societies on August 31, 1949, and discussed the question of the revision of the scale of fees payable to approved auditors under the Industrial Assurance and Friendly Societies Act, 1948. No decision has yet been announced. The Society was represented in these discussions by Mr. Joseph Stephenson, O.B.E., F.S.A.A.

#### INLAND REVENUE REORGANISATION

In February, 1949, the Society submitted a memorandum to a committee appointed under the chairmanship of Sir Eric Bamford to review the organisation and administrative methods of the Inland Revenue Department and the Society's recommendations to this end embraced the following matters:

- (a) The desirability of opening local tax offices which would relieve the main

district offices and could deal more conveniently with the affairs of small taxpayers, pensioners and others.

- (b) The unsuitability of the Pay-as-you-earn Scheme to persons holding more than one appointment, coupled with the recommendation that all appointments held by one person should be assessed in one district.
- (c) Assessments under Schedule D should be raised throughout the year when computations are agreed, so as to avoid the pressure in the offices of both the Inspectors and Accountants which occurs every autumn.
- (d) The need for simplification and clarification of the notices of assessment and related forms.
- (e) Closer collaboration is desirable between the offices of the Inspectors and the Collectors.
- (f) The right of appeal is of prime importance and the facilities for personal appeals should be improved.
- (g) The present means whereby administrative concessions become known to taxpayers and their advisers are unsatisfactory and material improvement is desirable.

The Council acknowledges the valuable assistance rendered by Branches and District Societies in the preparation of the Society's memorandum.

The reorganisation of the Department remains a matter of vital concern, but the functions of the Departmental Committee have been suspended pending the report of the Millard Tucker Committee referred to hereunder.

#### TAXATION OF TRADING PROFITS

In June, 1949, the Chancellor of the Exchequer appointed a committee under the chairmanship of Mr. J. Millard Tucker, K.C.,

to enquire into the method of computing net trade profits for the purpose of charging them to income tax and to consider the question of the basis period to be taken in assessing the tax on the profits so ascertained; to enquire into the method of computing net profits for the purpose of charging them to profits tax; and to report upon any alterations of the tax law which may be desirable.

The views of the Society were submitted to this committee in a memorandum drawn up by the Research Committee with the assistance of District Societies and of individual members with special taxation experience. The memorandum was published in the January, 1950, issue of ACCOUNTANCY.

#### STOCK EXCHANGE ANNOUNCEMENT

The Society co-operated with the Institute of Chartered Accountants and the Chartered Institute of Secretaries in agreeing with the Council of the Stock Exchange a specimen form of preliminary announcement for the use of public companies announcing their profits to shareholders and to the public. The terms of the announcement as finally settled appeared in the April, 1950, issue of ACCOUNTANCY.

#### BRITISH INSTITUTE OF MANAGEMENT : LOCAL MANAGEMENT ASSOCIATIONS

The British Institute of Management has recently taken steps to encourage the formation of autonomous local management associations in all parts of the country. The objects of these proposed associations are to promote interest in the problems of management and to provide facilities for study and the interchange of knowledge and experience. This project has the Council's approval, and it is hoped that members will join local management associations as they are formed and play an active part in their work. Branches and District Societies will be advised when a local management association is formed in their district. Local management associations have been formed in Carlisle and Luton and exploratory *ad hoc* committees have been set up at Brighton, Bristol, Colchester, Glasgow, Huddersfield, Liverpool, Manchester, Mansfield and Wolverhampton.

#### ANGLO-AMERICAN COUNCIL ON PRODUCTIVITY

As announced by Sir Norman Kipping at a luncheon of the London District Society in December, 1949, arrangements have been made by the Anglo-American Council on Productivity to send a mission to America to study works accounting and cost control methods. Mr. G. A. Culverwell, A.S.A.A., has accepted an invitation to join this mission, which consists of six accountants, two management representatives and two officials of the Ministry of Supply.

#### RESEARCH

Under the auspices of the Incorporated Accounts' Research Committee the second issue of *Accounting Research* was published in July, 1949, and at the end of the year a third issue was in the press. This journal is under the joint editorship of Mr. F. Sewell Bray, F.C.A., F.S.A.A., and Mr. Leo T. Little, B.Sc. (ECON.).

A Joint Committee consisting of representatives of the Research Committee, the Institute of Municipal Treasurers and Accountants, the County Accountants' Association and Exeter University College is undertaking research on local government finance and the first interim report appeared in *Accounting Research* and as a supplement to *Local Government Finance*. The Leicester District Society Research Sub-Committee has continued its work on boot and shoe costing methods in co-operation with the Boot and Shoe Research Association and the Federation of Shoe Manufacturers. Arrangements for the publication of a third edition of *Design of Accounts* by Mr. F. Sewell Bray, F.C.A., F.S.A.A., and Mr. H. Basil Sheasby, F.C.A., F.S.A.A., were completed during the year. A third reprint of *Company Accounts under the Companies Act, 1948*,

by the same authors was published in December, 1949.

#### "ACCOUNTANCY"

The circulation of ACCOUNTANCY continues to expand, and now includes subscribers in most parts of the world. Rising costs of publication made it necessary as from January, 1950, to increase the annual subscription to 17s. 6d.; the rate for students of the Society is now 7s. 6d.

#### DISCIPLINARY COMMITTEE

During 1949 two members were excluded from the Society under Articles 34 and 35, and three members were censured by the Disciplinary Committee under Article 32.

#### LIBRARY

The Library, now temporarily at 12, Milford Lane, Strand, London, W.C.2, is open to all members of the Society and to members of Students' Societies. Books borrowed during the year totalled 3,060.

Acknowledgment is again made of the kindness and assistance of the librarians of other professional bodies who, since the Hall was damaged in 1944, have continuously extended reference facilities to members of the Society.

#### HONOURS AND AWARDS

The Council congratulates the following members whose names appeared in recent Honours Lists :

##### *Knight Bachelor*

Imrie, John Dunlop, C.B.E., F.S.A.A.  
Yeabsley, Richard Ernest, C.B.E., F.S.A.A.

##### *C.B.E.*

Knowlden, Alfred John, F.S.A.A.  
Norman, Percy George, A.S.A.A.

##### *O.B.E.*

Durham, John, F.S.A.A.  
Fisk, William, F.S.A.A.  
Hill, John Roland, F.S.A.A.  
Moat, Gershom, A.S.A.A.  
Stewart, John Deans, A.S.A.A.

##### *M.B.E.*

Bigg, Henry Oscar Wallace, A.S.A.A.  
Carlisle, Victor, A.S.A.A.  
Lumsden, William Grieve, A.S.A.A.

##### *M.V.O.*

Weir, William, A.S.A.A.

#### APPOINTMENTS

The appointments of the following members of the Society are recorded :

Mr. W. Adams, F.S.A.A., as Vice-President of the Institute of Municipal Treasurers and Accountants.

Sir Frederick Alban, C.B.E., F.S.A.A., as a member of the Gas Arbitration Tribunal.

Sir John Imrie, C.B.E., F.S.A.A., as a member of a commission to inquire into



Mr. Richard A. Witty, F.S.A.A., as a member of the accountants' panel for the Tribunal established under Section 25 of the Coal Industry Nationalisation Act, 1946.

Mr. Ralph Macaulay Branson, F.S.A.A.  
Mr. Leonard Cecil Hawkins, F.S.A.A.  
Mr. Walter Holman, F.S.A.A.  
Mr. Arthur Herbert Walkey, F.S.A.A.  
Sir Richard Yeabsley, C.B.E., F.G.A.,  
F.S.A.A.

Mr. Edward Baldry, F.S.A.A., London  
Mr. Frank Sewell Bray, F.C.A., F.S.A.A.,  
London  
Mr. Andrew Brodie, F.S.A.A., Stoke-on-  
Trent  
Mr. Alfred Harman Edwards, F.S.A.A.,  
Dorchester  
Mr. Wilfred Harcourt Fox, F.S.A.A.,  
Northampton  
Mr. William Henry Higgingbotham,  
F.S.A.A., Sheffield  
Mr. Hugh Oliver Johnson, F.S.A.A., Bath

## 222

# INCOME AND EXPENDITURE ACCOUNT for the Year ended December 31, 1949.

1948	£	£	1948	£	£
ESTABLISHMENT CHARGES—			GENERAL INCOME—		
Rent and Rates of Temporary Premises	936		Subscriptions .. .. .	34,197	
Rates (Hall) .. .. .	15		Entrance Fees .. .. .	5,302	
Heating, Cleaning, Lighting and			Sundry Income .. .. .	677	
Sundries .. .. .	1,585				40,176
Insurances .. .. .	373		CONTRIBUTIONS IN RESPECT OF HEAD		
Decorations and Repairs .. ..	141		OFFICE ADMINISTRATIVE SERVICES—		
Surveyors' Fees .. .. .	21		London and District Society ..	400	
Depreciation of Furniture and Fittings	322		London Students' Society .. ..	750	
Depreciation of Freehold Property ..	Nil				1,150
		3,393	INTEREST RECEIVABLE—		
ADMINISTRATION EXPENSES—			Investments—Gross .. .. .	570	
Salaries and Pension Fund .. ..	12,320		Debentures of the Society (£300 Gift)	15	
Travelling Expenses .. .. .	1,146		Bank .. .. .	142	
Printing and Stationery .. .. .	2,457				727
Postages, Telegrams and Telephone ..	1,048		EXAMINATION FEES .. .. .		
Publication of Reports, Notices and					42,053
Meetings .. .. .	1,148				13,831
Legal and Parliamentary Expenses ..	828				
Chambers of Commerce Subscriptions	53				
Audit Fees and Expenses .. .. .	167				
Miscellaneous Expenses .. .. .	1,657				
		20,824			
GENERAL EXPENSES—					
Removal to and Alterations at Tem-					
porary Premises .. .. .	1,143				
Representation at Australian Congress					
on Accounting .. .. .	500				
Visit to U.S.A. and Canada—					
Expenses of Society's Representatives ..	—				
Expenses of Entertaining .. .. .	455				
Conference Expenses—Birmingham	625				
Year Book 1950—Balance of Cost ..	2,630				
		5,353			
LIBRARY AND EDUCATIONAL EXPENSES—					
Library Additions .. .. .	319				
Universities Scheme for the Account-					
ancy Profession .. .. .	746				
Refresher Course at Cambridge .. ..	210				
		1,275			
BRANCHES AND DISTRICT SOCIETIES—					
Grants and Panel of Lecturers Expenses		7,791			
"ACCOUNTANCY"—					
Expenditure (including £105 paid to					
Council Member) .. .. .	8,114				
Less Income .. .. .	7,152				
		962			
DEBENTURE INTEREST—GROSS .. ..					
		1,500			
		41,098			
EXAMINATIONS—EXPENSES AND PRIZES ..		10,325			
EXCESS OF INCOME OVER EXPENDITURE		4,461			
£47,459		£55,884	£47,459		£55,884

## AUDITORS' REPORT TO THE MEMBERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Society so far as appears from our examination of those books. We have examined the annexed Balance Sheet and Income and Expenditure Account which are in agreement with the books of account. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required and the Balance Sheet gives a true and fair view of the state of the Society's affairs as at December 31, 1949, and the Income and Expenditure Account gives a true and fair view of the income and expenditure for the year ended on that date.

ARTHUR H. HUGHES,  
STANLEY WALLIS,  
Incorporated Accountants,  
Auditors.

London, April 27, 1950.

## NEW SECRETARY AND DEPUTY SECRETARY

In January, 1950, the Council appointed Mr. I. A. F. Craig, O.B.E., Secretary of the Society and Mr. C. A. Evan-Jones, M.B.E., Deputy-Secretary.

Accountant, London, and Mr. Stanley Ivan Wallis, Incorporated Accountant, Nottingham, have notified that they are willing to continue in office as auditors.

## ACCOUNTS

The audited accounts of the Society for 1949 are annexed.

## AUDITORS

Mr. Arthur Henry Hughes, Incorporated

Mr. Walter Hindle Marsden, F.S.A.A.,  
Blackburn  
Mr. Thomas Holme Nicholson, F.C.A.,  
F.S.A.A., London

Formal resolutions for the election of each of these nine members will be submitted to the annual general meeting in May, 1950.

# New Council Members

*In reproducing photographs of the five new Council members of the Society of Incorporated Accountants, who were appointed at at the end of March to fill occasional vacancies and were elected at the recent annual general meeting, and in appending short biographies, we take pleasure in congratulating them.*



**Mr. Frank Sewell Bray, F.C.A., F.S.A.A.**

*Senior partner in Tansley Witt and Co., Chartered Accountants, of London and Berkhamsted. Senior Nuffield Research Fellow in the Department of Applied Economics, University of Cambridge. Joint-Editor of "Accounting Research." Author of "Precision and Design in Accountancy," "Measurement of Profit," "Social Accounts and the Business Enterprise Sector of the National Economy." Co-author of "Design of Accounts" and "Farm Accounts." Lectured during 1949 in Australian universities and at the Australian Congress on Accounting, Sydney.*



**Mr. Andrew Brodie, F.S.A.A.**

*Senior partner in J. Paterson Brodie and Son, Incorporated Accountants, of Stoke-on-Trent and Burslem. Son of the late Mr. J. Paterson Brodie, Vice-President of the Society of Incorporated Accountants at the time of his death in 1948. Honorary Secretary, North Staffs. District Caledonian Society. Organised in 1938 the North Staffs. Public Medical Service. Honorary Treasurer, Staffs. County Cricket Club, 1935-45. During war, member of County Appeal Committee of Staffordshire Red Cross and St. John Joint War Organisation, and organiser of its North Staffs. Appeal Committee.*



**Mr. Wilfred Harcourt Fox, F.S.A.A.**

*Senior partner in Kilby and Fox, Incorporated Accountants, of Northampton, Thrapston and Buckingham. President, Leicester and District Society of Incorporated Accountants, 1937-39. President, Northampton and County Chamber of Commerce, 1940-43. Vice-Chairman, Northampton and County Information Committee, 1941-45.*



**Mr. William Henry Higginbotham, F.S.A.A.**

*After extensive experience with firms of practising accountants and in industrial companies, became Financial Director of Edgar Allen and Co., Ltd., Steel-makers and Engineers, of Sheffield, in 1933 and Chairman in 1945. Fellow of the Institute of Cost and Works Accountants and Founder-Member of the British Institute of Management. Senior Vice-President (1950), Sheffield Chamber of Commerce. Vice-President, Incorporated Accountants' District Society of Sheffield.*



**Mr. Walter H. Marsden, F.S.A.A.**

*Partner in Porter, Mattheus and Marsden, Accountants, of Blackburn. President, Blackburn and District Chamber of Commerce, 1946 and 1947. Chairman, Lancashire Chambers of Commerce Committee, 1947 and 1948. President of Incorporated Accountants' District Society of North Lancashire, 1946 and 1947. Has travelled widely in U.S.A., South Africa, Australia and New Zealand.*



making the second of three speeches that he had to make that day. He was deeply grateful for the resolution they had carried. (Applause.)

THE PRESIDENT then presented the Gold Medal of the Society to Mr. F. E. BONNER, and the Silver Medal to Mr. W. SHUTTLEWORTH.

On the proposals of Mr. E. Cassleton Elliott, seconded by Mr. Richard A. Witty, separate motions were carried unanimously for the re-election of the following members of the Council: Mr. R. M. Branson, F.S.A.A.; Mr. L. C. Hawkins, F.S.A.A.; Mr. Walter Holman, F.S.A.A.; Mr. A. H. Walkey, F.S.A.A.; and Sir Richard Yeabsley, F.S.A.A.

Mr. C. P. BARROWCLIFF (Vice-President) said it was his pleasure to step in where angels feared to tread, and to move the next resolution. Despite what had been said, it was the Council's earnest wish that each of the four members over 70 years of age should be re-elected. In some cases a certain amount of pressure had to be brought to bear upon them to continue in office. No younger man could out-distance them in energy, experience or enthusiasm for work on behalf of the Society.

The motions, proposed separately by Mr. Barrowcliff, seconded by Sir Frederick Alban, were carried, with one dissentient to each motion, for the re-election of: Mr. R. Wilson Bartlett, D.L., F.S.A.A.; Mr. M. J. Faulks, M.A., F.S.A.A.; Sir Thomas Keens, D.L., F.S.A.A.; Mr. Percy Toothill, F.S.A.A.

Mr. R. Wilson Bartlett proposed, and Mr. Percy Toothill seconded, separate motions, which were carried unanimously, for the re-election of the following members, who had been appointed under Article 48 to fill occasional vacancies on the Council: Mr. Edward Baldry, F.S.A.A. (London); Mr. Frank Sewell Bray, F.C.A., F.S.A.A. (London); Mr. Andrew Brodie, F.S.A.A. (Stoke-on-Trent); Mr. Alfred Harman Edwards, F.S.A.A. (Dorchester); Mr. Wilfred Harcourt Fox, F.S.A.A. (Northampton); Mr. William Henry Higginbotham, F.S.A.A. (Sheffield); Mr. Hugh Oliver Johnson, F.S.A.A. (Bath); Mr. Walter Hindle Marsden, F.S.A.A. (Blackburn) and Mr. Thomas Holme Nicholson, F.S.A.A. (London).

Mr. F. A. PRIOR proposed and Mr. B. R. POLLOTT seconded that the remuneration of the auditors for the coming year should be 100 guineas each, with the addition of travelling expenses for the provincial auditor. The motion was carried.

A motion was carried approving the action of the Council in contributing 250 guineas to the National Thanksgiving Fund.

SIR THOMAS KEENS remarked that those

who allotted to him the next task took a big risk, seeing that he was well over 70; the only thing that he could say was that it was not altogether his fault! He proposed a most cordial vote of thanks to Mr. Stuart Allen for his conduct in the chair of the meeting and for his valuable services to the Society during the past year. He was certain that Mr. Allen's Presidency would be memorable in its history.

The resolution was carried unanimously by loud acclamation and the PRESIDENT briefly thanked the members.

### DINNER TO MR. A. A. GARRETT AND MRS. GARRETT

THE PRESIDENT OF THE SOCIETY OF Incorporated Accountants, Mr. A. Stuart Allen, F.S.A.A., presided at a dinner at the Savoy Hotel, London, on May 24, in honour of Mr. A. A. Garrett, M.B.E., M.A., the retiring Secretary of the Society, and Mrs. Garrett.

Among the large number of guests were Mr. John Adamson, C.A.; Dr. A. M. Allen, Secretary, Chartered Institute of Secretaries; Mr. Brian Baldry, B.A.; Mr. R. W. Bankes, C.B.E., previously Secretary, Institute of Chartered Accountants in England and Wales; Mrs. R. W. Bankes; Mr. W. L. Barrows, F.C.A.; Sir Harold Barton, F.C.A.; Professor W. T. Baxter; Mr. H. B. Bell, Secretary, Reform Club; Mr. Roland Bird, Deputy Editor, *The Economist*; Mr. J. B. Braithwaite, Chairman, London Stock Exchange; Sir Roland Burrows, K.C.; Mr. L. F. Cheyney, Secretary, Institute of Municipal Treasurers and Accountants; Sir William Coates, PH.D.; Mr. A. F. B. Cooke, Secretary, Share and Loan Dept., London Stock Exchange; Mr. W. Manning Dacey, Economic Adviser, Lloyds Bank; Mr. F. R. M. de Paula, O.B.E.; Mr. C. G. Excell; Mr. Frank Garrett, M.C.; Mr. and Mrs. L. Garrett; Mr. and Mrs. Claude Goodwin; Mr. F. C. Hawkes, O.B.E., M.A., Secretary, Chartered Auctioneers' and Estate Agents' Institute; Commander R. J. Hayward, R.N.R., F.C.A.; Mr. Oscar Hobson, City Editor, *News Chronicle*; Mr. F. R. Hurlstone-Jones, Chairman, Headmasters' Employment Association; Mr. E. R. Jenkins, M.C., F.C.I.S., Secretary, Cable and Wireless (Holding) Ltd.; Sir Russell Kettle, President, Institute of Chartered Accountants in England and Wales; Mr. J. C. Latham, D.L., F.S.A.A., F.A.C.C.A., Director and Secretary, Association of Certified and Corporate Accountants; Mr. W. Russell Lawrence, B.A., LL.B.; Mr. A. de V. Leigh, M.B.E., M.A., Secretary, London Chamber of Commerce; The Rt. Rev. Lord Bishop of Lichfield; Mr. M. A. Liddell; Mr. H. Linstead, O.B.E., M.P.,

Secretary, Pharmaceutical Society of Great Britain; Mr. Leo T. Little, Editor, ACCOUNTANCY; Mr. G. Lormer; Mr. T. G. Lund, C.B.E., Secretary, The Law Society; Mr. A. S. MacIver, M.C., Secretary, Institute of Chartered Accountants in England and Wales; Sir George Maddex, President, Institute of Actuaries; Mr. E. H. S. Marker, C.B.E., Board of Trade; Mr. E. C. Martin, C.B.E.; Mrs. E. C. Martin; Mr. M. Megrah, Secretary, Institute of Bankers; The Hon. Sir Albert Napier, K.C.B.; Mr. Charles Norton, M.C.; Mr. A. Parkes, F.A.C.C.A.; Dr. L. R. Pears, M.B.E., T.D., M.A.; Mr. Derek du Pré, Editor, *The Accountant*; Professor E. A. G. Robinson, M.A.; Mr. Roy Robinson; Mr. T. B. Robson, F.C.A.; Mr. J. Scougal, F.S.A.A., President, Institute of Municipal Treasurers and Accountants; Admiral John Siddals, O.B.E.; Miss Vera Snelling; Mr. C. D. Spragg, Secretary, Royal Institute of British Architects; Mr. J. A. Stewart, F.S.A.A. (Durban); Mr. L. A. Terry, Director, City of London College; Sir Arthur Watson, Ministry of Fuel and Power; Sir Edward Wilshaw, K.C.M.G.; Mr. Frederick Wilson, O.B.E., J.P., President, Association of Certified and Corporate Accountants; Mr. J. Wood, C.A.; Mr. S. H. Wood.

The following members of the Council of the Society were present: Mr. C. Percy Barrowcliff (Vice-President), Mr. J. Ainsworth, M.B.E., Sir Frederick Alban, C.B.E., J.P., Mr. E. Baldry, Mr. R. Wilson Bartlett, J.P., D.L., Mr. Robert Bell, Mr. R. M. Branson, Mr. F. Sewell Bray, Mr. A. Brodie, Mr. H. Brown, O.B.E., Mr. A. H. Edwards, J.P., Mr. E. Cassleton Elliott, Mr. M. J. Faulks, M.A., Mr. W. H. Fox, Mr. A. Hannah, Mr. L. C. Hawkins, Mr. C. A. G. Hewson, Mr. H. O. Johnson, Sir Thomas Keens, J.P., D.L., Mr. W. H. Marsden, Mr. A. E. Middleton, Mr. Bertram Nelson, J.P., Mr. T. H. Nicholson, Mr. James Paterson, Mr. T. Harold Platts, Mr. F. A. Prior, Miss P. E. M. Ridgway, B.A., J.P., Mr. P. G. S. Ritchie, Mr. Henry Smith, Mr. R. E. Starkie, Mr. Joseph Stephenson, O.B.E., Mr. Percy Toothill, Mr. A. H. Walkey, Mr. Richard A. Witty, Sir Richard Yeabsley, C.B.E.

MR. A. STUART ALLEN, President of the Society of Incorporated Accountants, said they were friends of Mr. Garrett who had gathered together to welcome him back from his journeyings, to tell him how much they had valued his friendship over many years, and to express the hope that the leisure which would now be his would afford opportunity for its development. Sentiments such as these were best expressed in words as direct and sincere as the character of the individual to whom they were addressed.

The excellent appreciation of Mr.

Garrett's career which appeared in *ACCOUNTANCY* in January had suggested to him a comparison with the pattern set by Shakespeare in the Seven Ages of Man.

At first the infant. Yes, he supposed it could be taken that, in common with the rest of them Mr. Garrett did not escape the indignities of babyhood. And then the whining schoolboy. Whining was quite unsuitable. The shining morning face could certainly be accepted, if what they saw of it that evening was any guide. It seemed probable, too, that on occasion in his teens Mr. Garrett's approach to scholarship was reluctant, but he certainly made up for anything of this kind later in life when he enrolled at Christ's College, Cambridge, and read for and obtained a degree—and that at a time when his working day was very fully occupied with his duties as Secretary of the Society. And then the lover. This stage, too, Mr. Garrett preferred to defer, but they had with them that evening, in the person of Mrs. Garrett, the best possible evidence of the wisdom and of the success of the course he chose to take. Then the soldier. Once again, Mr. Garrett departed from the pattern. In the first world war he preferred to become a sailor. Mr. Allen rather hoped that on occasion, when subject to sufficient provocation, Mr. Garrett was full of strange oaths, but that he was ever bearded like the pard he refused to believe for a single moment. And then the justice. He thought they would agree that it would be unwise to take the comparison further: in any event capons were unprocurable!

It was the manner even more than the degree of achievement which had made Mr. Garrett's service of such incalculable value to the Society—the human kindness, understanding and sincerity that surrounded him like an aura in all that he did and, not least, the saving touch of humour that had served to resolve so many delicate situations.

They were proud to be numbered among the 8,500 members of the Society, to which they willingly gave their allegiance, and for its growth and success among the last three decades they were mainly indebted to one man—Mr. Alexander Garrett. On behalf of every member of the Society he tendered to their honoured friend a heartfelt tribute of gratitude.

Telegrams of good wishes were received from the Victoria Division members and from Mr. Percy G. Stenbridge, F.S.A.A.

SIR THOMAS KEENS, D.L., said that he could truly describe Mr. Garrett as a fine Christian gentleman. (Applause.) He thought that the words used of Mr. Garrett by his predecessor and mentor, Sir James Martin—to whom Mr. Garrett would be the first to acknowledge his great obligations—that he had never heard him make

a malicious or slighting remark of anybody, summed up the man. Those who had had letters from Mr. Garrett would recognise that the handwriting also betokened the man. It was bold, vigorous and legible—characteristics which reflected his personal qualities. Mr. Garrett had nothing less than a genius for friendship. He was a most cultured man who through long practice and care had made himself a master of English. His distinguishing mark was his great loyalty to the Society and its members. Sir Thomas said that during his own Presidency he had introduced some plans into the Society which he thought necessary. Even though Mr. Garrett was concerned that some of these proposals ran against tradition, Sir Thomas had received from him the most enthusiastic co-operation and assistance, as had every President before or since.

MR. MERVYN BELL, speaking on behalf of the Irish Branch, said that its members were geographically remote from the centre of the Society's activities, but they had never been given the feeling of being remote. That was because they had been continually kept in touch and assisted in every way by Mr. Garrett at headquarters. One of the secrets of Mr. Garrett's outstanding success as Secretary was that he was always ready to see members who called at the Hall, even when he was busiest. He would always welcome members and would give them his advice and friendship. Saying that the Irish Branch had great pleasure in presenting to Mr. and Mrs. Garrett a silver salver, Mr. Bell conveyed the sincere, warm greetings of the Irish Branch to them both.

MR. EDWARD BALDRY said that they had heard of Mr. Garrett's recent journey—"triumphal progress" perhaps described it better—through Australia and New Zealand and home via South Africa. It was rumoured that it was only from reasons of delicacy that he refrained from visiting Bechuanaland. Even Mr. Garrett was "Ruthless" sometimes.

It was as an intimate friend of Alec Garrett throughout the whole of his adult life that he spoke to them. They were educated at the same school. He remembered sitting in the Sixth Form room at school in 1910 or 1911 reading his Wordsworth. He had just got to the line:

Shades of the prison house begin to close  
upon the growing boy

when the form master announced that he had received a letter from a distinguished old boy, Mr. A. A. Garrett, that there was a vacancy for an articled clerk in an accountant's office. "Does anybody here wish to become an accountant?" he asked, and with an uncanny prescience considering their tender years there were no takers. It was of no avail, however, for him to refuse.

He duly met Garrett shortly afterwards. They were all fully aware of the determination that Mr. Garrett had always shown in recruiting only the best material into the Society. He need hardly tell them, therefore, that as soon as he saw him, he had signed on the dotted line.

Mr. Baldry said that he had had the privilege of organising the Presentation Fund to Mr. Garrett. That had been a labour of love, and by a particularly happy piece of organisation, he supplied the love and his staff supplied the labour. The response from members and friends was gratifyingly overwhelming. In all he had received 3,736 individual subscriptions from no less than 45 countries. Part of the total amount subscribed had been expended in the purchase of antique silver and jewellery which some of them might already have seen—and since they were chosen by Mr. and Mrs. Garrett personally, he thought one could safely say they were in exquisite taste and quite delightful. In addition he was able to hand to the President for presentation to Mr. Garrett a banker's draft for £1,650. Garrett would undoubtedly appreciate the fact that this sum was received by him free of tax, unless the Chancellor had another of his naughty moments and introduced retrospective legislation to "collar the lot." In addition the President would hand to Mr. Garrett a delightfully illuminated volume which no doubt he and Mrs. Garrett would treasure all their lives. Its opening words:

This small volume seeks to record the gratitude of Incorporated Accountants in all parts of the world to Mr. Garrett for his unselfish and unremitting service to the Society from 1909 until his retirement on December 31, 1949. It commemorates also the Dinner given in his honour at the Savoy Hotel, London, on May 24, 1950, when a presentation was made to him on behalf of members of the Society as a token of their grateful thanks and warm affection.

Mr. Baldry said he paid his humble tribute to Mrs. Garrett—Mildred to her friends—and since they were all her friends, Mildred to all of them. She was a most charming person and the soul of generosity. She had also been an indefatigable worker for the good of the Society for many years.

What was there about this unassuming man that made them all feel about him as they did? Was it not that they recognised in him all those gifts of character which they most admired and so frequently lacked? Simplicity, honesty, a lack of malice, unselfishness, loyalty, absolute integrity, these were qualities that he had in abundance. If Mr. Craig would for a moment emulate the deaf adder, he would suggest that without exaggeration or undue sentimentality their valedictory thoughts of Mr. Garrett might be Hamlet's words:



This was a man, take him for all in all,  
We never shall look upon his like again.

After Mrs. GARRETT had made a brief speech of thanks, Mr. A. A. GARRETT said that no conventional form of thanks could express the immense gratitude he had towards all his friends in the Society, to the friends whom he had met in connection with the Society's work, his friends from other happy connections and the ladies who had come to the function to greet Mrs. Garrett and him.

The beautiful gift of the album—the work of good heads, kind spirits and skilled craftsmen—was a very charming expression of their affection and goodness. He would study its contents with eager anticipation.

To use modern jargon the gift had strings attached to it—strings to which were tied some beautiful and useful pieces of old silver which would be a splendid addition to their home. Mrs. Garrett had already said to him, "Looking after the silver is your job."

There was also another gift of munificent dimensions, which conjured thoughts of books, music, friends and the chance for Mrs. Garrett and him to visit some old haunts at home and elsewhere. And if they had the itching foot for travel, he must largely thank his friend, Mr. Cassleton Elliott, an inveterate devotee of travel, who had taken care of him abroad on many occasions and who in other more important ways had been immensely helpful to him throughout his career. He had the additional joy of knowing that these gifts had been organised and largely inspired by his old friend, Edward Baldry.

Mr. Garrett said he shared the common experience of people who reached a definite stage in their work—an insistent feeling of jobs uncompleted and continuing and the chastening desire to have done better things. But he rejoiced that these were now turned over to his valued colleagues and successors, Ian Craig, the Secretary, and Evan-Jones, the Deputy Secretary, who had already brought to their work gaiety, ability and a capacity for friendship both in the Society and at head office.

It was in terms of personalities perhaps as much as in events that he pictured the Society. Senior members would remember Sir James Martin, the first Secretary—his dignity, his sense of humour and his great wisdom, the fruits of which were indeed embodied in its policy, membership and external relations as they knew them to-day.

It had been an inspiration to enjoy the confidence of a succession of Presidents, whose decisions so often dispelled some temporary and probably exaggerated doubts on the part of the Secretary, and of the members of Council, many of whom played an important but inconspicuous part in the Society's affairs.

Sir Thomas Keens was President at the opening of Incorporated Accountants' Hall by H.R.H. the Duke of York, now H.M. the King. The liaison built up by Sir Thomas and the scheme between Branches and Districts and Head Office enabled, among other things, subsequent Presidents and Mr. Garrett himself to enjoy many pleasant visits to their organisations in Great Britain and Ireland.

He saw there that evening, said Mr. Garrett, his old friends and colleagues who were engaged in other important activities and who had retained a continuing interest in the Society.

Mr. Garrett said he gladly acknowledged the valuable service of the Society's solicitors and Parliamentary agents, and Counsel whom they had consulted from time to time. Mr. Charles Norton and his partner, Mr. Gould, had very wisely kept them out of difficulties instead of having to advise how to get out of them. He was glad to think that their firm had acted for the Society from its foundation in 1885.

Behind many comings and goings, he had had the affection and splendid help of Mrs. Garrett. She had accompanied him to many parts of the world. Because she loved her neighbours she had made many good friends for him and for the Society. And after crossing the Atlantic and spending 21 years in Great Britain, she had almost forgotten how to twist the Lion's tail on July 4!

He thought of the happy relations he had had with the secretaries of many other bodies, members of the Bar, the successive editors of *The Accountant* (Miss Vera Snelling and Mr. Derek du Pré), many departments of the Civil Service, senior members of the Universities, the Secretary of the Stock Exchange, the financial editors, and their excellent neighbour, Sir Edward Wilshaw at Electra House.

Nothing had been more delightful than the friendship of the secretaries of the other accountancy bodies in England and Wales, Scotland and Ireland, the British Dominions and U.S.A. Wynne Bankes and Alan MacIver of the Institute of Chartered Accountants had frequently carried out the secretary's work for joint efforts. As evidence of the excellent personal relations between the secretaries, when they, James Wood of the Scottish Chartered Accountants in London, James Latham of the Association of Certified Accountants and he himself were instructed to prepare the draft of a letter or document, they really managed to agree on something!

Mr. Garrett recalled the recent visit he and Mrs. Garrett had paid to Australia, New Zealand and South Africa, and the many friends they had met there, and at the end of his speech renewed the warm appreciation of them both for the splendid

hospitality shown at the dinner and for the memorable evening.

## COUNCIL MEETINGS

MAY 24, 1950

**Present:** MR. A. STUART ALLEN (PRESIDENT), in the chair, Mr. C. Percy Barrowcliff (Vice-President), Sir Frederick Alban, C.B.E., J.P., Mr. E. Baldry, Mr. R. Wilson Bartlett, J.P., D.L., Mr. Robert Bell, Mr. R. M. Branson, Mr. F. Sewell Bray, Mr. A. Brodie, Mr. A. H. Edwards, J.P., Mr. E. Cassleton Elliott, Mr. M. J. Faulks, M.A., Mr. W. H. Fox, Mr. A. Hannah, Mr. L. C. Hawkins, Mr. C. A. G. Hewson, Mr. H. O. Johnson, Sir Thomas Keens, J.P., D.L., Mr. W. H. Marsden, Mr. A. E. Middleton, Mr. Bertram Nelson, J.P., Mr. T. H. Nicholson, Mr. James Paterson, Mr. T. Harold Platts, Mr. F. A. Prior, Miss P. E. M. Ridgway, B.A., J.P., Mr. P. G. S. Ritchie, Mr. R. E. Starkie, Mr. Joseph Stephenson, O.B.E., Mr. Percy Toothill, Mr. A. H. Walkey, Mr. Richard A. Witty, Sir Richard Yeabsley, C.B.E.

### REPORTS OF COMMITTEES

Reports were received from the Finance and General Purposes, Applications, Conditions of Entry, Development, Disciplinary, District Societies, and Hall Committees.

### NATIONAL THANKSGIVING FUND

It was reported that a donation of 250 guineas had been forwarded to the Lord Mayor of London for the National Thanksgiving Fund.

### INCORPORATED ACCOUNTANTS IN SUSSEX

On consideration of a report from the District Societies Committee, the Council approved the formation of a new District Society in the county of Sussex.

### COURSES AND CONFERENCE

It was reported that applications from members to attend the taxation course to be held at Ashridge College from June 23 to 27 had exceeded the accommodation available.

The Council reviewed the arrangements made to date for the course to be held at Balliol College, Oxford, from September 14 to 19, 1950, and took note that plans were now being made for the Conference of the Society to be held in Dublin from June 13 to 16, 1951, and for a course at Caius College, Cambridge, in September, 1951.

### NOTTINGHAM, DERBY AND LINCOLN DISTRICT SOCIETY

It was reported that Mr. C. M. Foxon, F.S.A.A., had assumed the office of Hon.



Secretary of the Nottingham, Derby and Lincoln District Society in succession to Mr. J. B. Carter, F.S.A.A. The Council resolved that an expression of their deep appreciation be conveyed to Mr. Carter for his invaluable services during his twelve years' tenure of the honorary secretaryship of this District Society.

#### RESIGNATIONS

A report was received of the resignations of the following members as from the dates indicated :

January 1, 1950 :

Brown, Margaret Ruth (Associate), Bristol.  
Browne, Dorothy Gertrude (Associate), Stratford-on-Avon.  
Burke, Harold (Associate), Leicester.  
Cox, Ernest Frederick (Associate), Hythe.  
Knowlden, Alfred John (Fellow), London.  
Robinson, Herbert Alexander (Associate), Moreton.

January 1, 1951 :

Moulder, Nella Rita (Associate) Croydon.

The resolution of March 29, 1950, accepting the resignation of Mr. Herbert Holmes (Fellow), Pontefract, was rescinded.

#### DEATHS

The Council received with regret a report of the death of each of the following members :

Croydon, Charles Edward (Associate), Bournemouth.  
Hague, Frank Howard (Fellow), Pinner.  
James, John (Fellow), Edenbridge, Kent.  
Keene, Benjamin (Fellow), London.  
Kidd, Henry Peter (Associate), Edinburgh.  
Mitchell, George Adam (Fellow), Guildford, Surrey.  
Olson, Ernest John (Associate), Accrington.  
Percival, William Horace (Fellow), London.  
Riley, Arthur Hubert (Associate), Rochester.  
Saphin, Edward Charles (Fellow), Wembley.  
Simpson, Arthur (Associate), Henley-on-Thames.  
Starkie, Edward Gordon, M.B.E. (Associate), Leeds.  
Steed, Charles Benjamin (Fellow), Bristol.  
Thompson, Thomas (Fellow), Stoke-on-Trent.  
Wilson, James Hugh Elwes (Associate), Johannesburg.

A second meeting of the Council was held immediately after the annual general meeting.

#### PRESIDENT AND VICE-PRESIDENT

Mr. A. Stuart Allen, London, was unanimously re-elected President of the Society.

Mr. C. Percy Barrowcliff, Middlesbrough, was re-elected Vice-President.

#### DISCIPLINARY COMMITTEE

The Disciplinary Committee was elected by ballot in accordance with the Articles.

#### MR. GARRETT'S VISIT TO AUSTRALIA

MR. A. A. GARRETT, M.B.E., M.A., WAS THE guest speaker at the monthly luncheon meeting of the Incorporated Accountants' London and District Society, held on May 2. Mr. R. N. Barnett, chairman of the District Society, presided.

The chairman, welcoming Mr. Garrett home from his travels, said that he had visited, on behalf of the members of the Society of Incorporated Accountants, America, Canada, Amsterdam, Berlin and, on his last trip, New Zealand, Australia and South Africa.

Mr. Garrett said he greatly appreciated the honour the Council did him in asking him to represent the Society at the Australian Congress of Accounting in Sydney. It gave him an opportunity to visit other cities in Australia and New Zealand and to go to South Africa. Mrs. Garrett and he left London in September, 1949, and travelled to Melbourne by way of the Suez Canal, touching at a few ports *en route*. They spent a week or two in Melbourne and went to the Congress at Sydney. Then they flew to New Zealand and spent a month, returning to Australia. They embarked at Adelaide for South Africa and spent a few weeks in Cape Town, Johannesburg and Durban. His dominant thought about all this travel was that their friends in the accountancy profession, wherever they went, extended great kindness and hospitality to them. In almost every place they were welcomed by Incorporated Accountants. There was even an Incorporated Accountant on the ship on which they returned.

Mr. Garrett said that he noticed that there was a common spirit actuating the profession wherever they went. There was appreciation of character, reliability and skill, and a desire to explore new methods and extend professional education, together with an urge for obtaining higher status. The pattern in each country was different. In some cases there was statutory regulation

of the profession—not always, he was told entirely effective. There was in other partial regulation and also, as in Great Britain, a mass of legislation concerning the duties of accountants. And, furthermore there was far too much work and fees were far too low !

They received a welcome to Australian shores at Fremantle, about 12 miles from Perth, the capital city of Western Australia. It was kind of a senior member of the profession to come down to the ship at 7.30 in the morning and drive them back in his car. The members in Western Australia were very interested in the British university scheme, and he had sent them particulars.

Thanks to the kindness of the Auditor-General of Victoria, who was President of the Commonwealth Institute of Accountants, they were invited to the swearing-in of the new Governor of Victoria, and were presented to him. Then they were entertained at luncheon by the Victoria Branch—or rather the State Council—of the Institute of Chartered Accountants of Australia, with Mr. Shepherd, past-President of the Institute of Chartered Accountants in England and Wales, and Mrs. Shepherd, and Mr. Bankes, the retiring Secretary of the Institute, and Mrs. Bankes, and also to a delightful dinner at the University given by the President and Council of the Commonwealth Institute of Accountants.

There were, said Mr. Garrett, five accountancy bodies in Australia which sponsored the Congress. The Institute of Chartered Accountants in Australia received their Royal Charter in 1948. The Commonwealth Institute of Accountants started in 1886 as the Incorporated Institute of Accountants of Victoria ; it contained a considerable number of practising members and others engaged in industry. The practising members were probably nearly all members of the Institute of Chartered Accountants, and that body had intimate connections with the universities and was developing professional education. The Congress was very well organised and the programme was not overloaded. There was an absence of a presidential address, but it meant that people got down to business quickly. The opening function was first of all a big party. Then Mr. Gilbert Shepherd gave a very able address reviewing many aspects of the profession, and he commended that address to their study and critical consideration. Mr. F. Sewell Bray gave a thoughtful and provocative paper. As to the proceedings at the Congress, there did not seem to be any reporting carried out, but they were told at the end that there was an automatic electric recorder ; so anything one said was taken down as evidence against him. It was to be hoped that the report would read all right !

## BRANCHES AND DISTRICT SOCIETIES CONFERENCE

A CONFERENCE OF REPRESENTATIVES OF Branches and District Societies with members of the Council was held on May 25.

A list of those present will appear in our next issue.

## LONDON STUDENTS' SOCIETY

### THE ASHRIDGE COURSE

DURING THE FINAL WEEK OF APRIL LONDON students for the Incorporated Accountants' examinations entered upon a fresh adventure in opening a pre-examination course at Ashridge College, Berkhamsted. On April 23 none of us really knew what was in store, but at the end of five days the standards had been set. And the standard was so high that future courses will have to be good!

The first meeting was an informal one—held on platform five at Euston Station soon after 4.30 p.m. on Sunday, April 23—students recognising each other from the luggage labels which they had received, showing an aerial view of Ashridge. If the first visual impressions of the college and estate hardly came up to the expectations raised by the luggage labels, that was entirely due to the bad weather met at Ashridge on our arrival. But once inside the college, the magnificence of the building, its warmth, its tone, its atmosphere, took command. Ashridge had won. The 180 students in attendance, some of whom, by invitation of the London and District Students' Society, came from other parts of the country, were to pass five days not only profitably but in a comfortable and gracious environment.

At chapel on Monday, the first working day, we first met unofficially the Principal of Ashridge College, Admiral Sir Denis Boyd, K.C.B., C.B.E., D.S.C., who conducted the service. The lesson was ready by the Secretary of the College, Captain H. Gordon, O.B.E. Chapel services were well attended throughout the course and the standard of singing was quite high!

The course proper began with an opening address by the Admiral, who told us that the object of Ashridge was "the extirpation of ignorance." "You might," he added, "say we have a very wide field." His closing remark recurred in the mind throughout the course: "This place has an atmosphere about it which makes it always succeed." How right he was!

The programme of lectures has been reproduced in earlier issues of *ACCOUNTANCY* and need not be repeated now. The examination subjects were covered from all angles and only startling personal "gaps" in preparation could have led to the conclusion that the course was in any way inadequate. The lectures were of the highest

order and the lecturers deserve our thanks for finding time to travel to Ashridge to give us the benefit of their experience and knowledge. It was gratifying also to hear the lecturers say how attentive and keen the students were at every lecture, and it was the sad duty of someone to stop every lecture session because it had over-run its time, questions continuing to be hurled at the lecturer. There was no officially planned time for discussion, but one of the signal advantages of the residential aspect of the course was that there was ample opportunity for informal discussion amongst students themselves. The interchange of ideas, in spite of—or perhaps because of—its taking place after 9.30 p.m. over a tankard of ale at the bar, was most stimulating. At least, the bar became very popular!

The afternoons were spent in various forms of recreation—private study was one, and it seemed quite popular. Others took the more conventional forms of soccer, tennis and golf.

On the Thursday evening, instead of the usual after-dinner lecture between 8.30 p.m. and 9.30 p.m., a Quiz was arranged between two teams of students, split arbitrarily into North and South. It proved amusing as well as informative. As guests at this session we were pleased to welcome Mr. Walter Holman, F.S.A.A., past-President of the Society of Incorporated Accountants and chairman of the Examination and Membership Committee, and Mr. A. A. Garrett, M.B.E., M.A., the lately retired secretary of the Society. Mr. Holman explained the great care that was taken in setting the examination papers. He also assured us of the sympathetic consideration given by examiners to all examinees, without exception. As his second theme Mr. Holman described the rôle to be played by future accountants, emphasising the requirement of integrity and honesty. He himself looked upon accountants as embodying the conscience of the commercial community. Mr. Garrett spoke about his recent visit to Australia, New Zealand and South Africa and the opportunities that await young accountants in those countries. He also thanked the London Students' Society for asking him to be their Treasurer; he was most happy to accept the invitation. The evening was brought to an end by a nicely phrased vote of thanks to visiting guests by Mr. H. G. Pearsall.

At the lunch before we left Ashridge Mr. F. R. Witty, F.S.A.A., President of the London Students' Society, thanked the staff of the college for the facilities they had provided. On behalf of us all he gave special thanks to Mr. C. A. Evan-Jones, Secretary of the Students' Society, and his two stalwart helpers, Miss P. Savage and Mrs.

M. Srodawa, for running the course so magnificently.

A remark overheard in one of the lounges expresses more than it has been possible to say in this note: "It's worth failing in the exam. so that we can come here again."

E. W.

## PERSONAL NOTES

Mr. Alton Ward, Incorporated Accountant, was installed as Lord Mayor of Bradford on May 23.

Mr. Oliver Greenwood, F.S.A.A., has been elected Mayor of Barnes for the year beginning May 24, 1950.

Mr. A. E. Middleton, L.C.C., F.S.A.A., has been appointed by the Minister of Agriculture as a member of the Hops Marketing Board.

Mr. Vincent Williams, M.A., F.S.A.A., will retire in June from the position of County Treasurer of the Cheshire County Council. It is of interest to record that this office has been held by father and son—both Incorporated Accountants—continuously for over sixty years. The late Mr. James Williams, F.S.A.A., became the first County Accountant of Cheshire after the passing of the Local Government Act, 1888, and on his death in 1915 was succeeded by his son, Mr. Vincent Williams.

Mr. C. E. Irvine Jones, A.S.A.A., has been appointed Comptroller and Accountant-General of the Post Office.

Mr. V. J. H. Harris, F.S.A.A., has been elected President of the Northampton Chamber of Commerce.

## REMOVALS

Messrs. Harmon Smith & Co., Incorporated Accountants, have removed to 130, High Street, Hungerford, Berks. They have also opened a branch office at The Annexe, Walcote Chambers, Winchester.

Mr. E. E. BurrIDGE, Incorporated Accountant, has removed to 70, Park Street, Bristol, 1.

Messrs. Cooper Brothers, Hockey, King and Co., have removed their offices to Roslin House, Baker Avenue, Salisbury, Rhodesia.

## INCORPORATED ACCOUNTANTS' BENEVOLENT FUND

### FIFTY-SEVENTH ANNUAL REPORT OF THE TRUSTEES

THE TRUSTEES HAVE PLEASURE IN PRESENTING the report and accounts for the year ended December 31, 1949.

The revenue of the fund at £3,323 shows an increase over the amount for 1948, which was £3,004. Subscriptions received in 1949 amounted to £1,970, compared with £1,824 in 1948. Life subscriptions and donations, which under the rules are added to capital,

amounted to £338 in 1949, against £670 in 1948. The expenses of the fund were confined as usual to the necessary outlays for printing and postage.

The trustees have endeavoured to deal with the cases before them as generously as possible, and grants aggregating £2,432 were distributed to 31 beneficiaries during the year under review, as compared with £2,162 in the same number of cases during 1948.

The cordial thanks of the trustees are extended to local honorary secretaries for their co-operation, and to all contributors,

including the Society's South African Committees and the Incorporated Accountants' Lodge, for their continued support.

In December, 1949, the Joint Council of the Societies of Chartered Accountants of South Africa sent food parcels to beneficiaries of the fund. The trustees record their gratitude for these gifts, which afforded much pleasure to the recipients.

Consideration was given to a proposal of the National Corporation for the Care of Old People that the benevolent funds of professional bodies should co-operate in establishing a home for their aged members,

but it was found that the rules of the Incorporated Accountants' Benevolent Fund precluded the trustees from participating in the scheme as evolved by the Corporation.

Mr. A. A. Garrett retired from the honorary secretaryship of the fund on December 31, 1949, and the trustees record their deep appreciation of his invaluable services during the past twenty-eight years. Mr. I. A. F. Craig was appointed honorary secretary in succession to Mr. Garrett.

Mr. Arthur H. Hughes, Incorporated Accountant, London, is the retiring honorary auditor and offers himself for re-election

#### INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1949

1948		1948		1948	
£		£		£	
58	Printing, Postages and Cheques .. .. .	82		1,824	Subscriptions .. .. .
2,162	Grants .. .. .	2,432		272	Refund of Tax on Covenanted Subscriptions ..
	Balance, being surplus for year carried to Balance				Dividends on Investments (including Tax re-
784	Sheet .. .. .	809		908	covered) and Bank Interest .. .. .
<u>£3,004</u>		<u>£3,323</u>		<u>£3,004</u>	

#### BALANCE SHEET, DECEMBER 31, 1949

1948		1948		1948	
£		£		£	
22,811	CAPITAL ACCOUNT—			686	CASH AT BANK .. .. .
	Balance at December, 31, 1948 ..	24,365			INVESTMENTS (at cost)—
	Add—				£20,000 2½ per cent. Treasury Stock,
168	Life Subscriptions .. .. .	42			1975 or after .. .. .
502	Donations .. .. .	296			£5,000 3 per cent. London County
	Surplus on Realisation of Investments	2,200			Consolidated Stock, 1920 .. ..
100	Gift of Society Debenture .. .. .	—			£1,000 2½ per cent. London County
	Balance from Income and Expenditure				Consolidated Stock .. .. .
784	Account, 1949 .. .. .	809			£1,000 3 per cent. Savings Bonds,
					1960-70 .. .. .
24,362		27,732			£2,000 3 per cent. Defence Bonds ..
	Less—				£500 2½ per cent. Defence Bonds ..
	Transferred to Investment Depreciation				£175 5 per cent. Society of Incorporated
	Reserve Account .. .. .	4,500			Accountants Debentures (Gifts) ..
		23,232			Post Office Savings Bank—Deposit ..
	RESERVE ACCOUNT—				London Trustee Savings Bank—Deposit
	Investment Depreciation Reserve ..	4,500		23,449	
	SIR JAMES MARTIN MEMORIAL FUND—				SIR JAMES MARTIN MEMORIAL FUND—
	Balance at December 31, 1948 ..	3,547			£1,757 17s. 3d. 2½ per cent. Annuities
	Add—				£1,500 2½ per cent. Consolidated Stock
	Surplus on Realisation of Investment	116			£1,000 2½ per cent. Treasury Stock,
3,547		3,663			1975 or after .. .. .
	EDITH SENDELL FUND—			3,547	
	Balance at December 31, 1948 ..	500			EDITH SENDELL FUND—
	Deduct—				£582 os. 1d. 2½ per cent. Treasury Stock,
	Loss on Realisation of Investment ..	28		500	1975 or after .. .. .
500		472			(Market value of all Investments at December 31,
42	SUNDRY CREDITORS .. .. .	51			1949, £27,097.)
				272	COMMISSIONERS OF INLAND REVENUE—
					for Refund of Income Tax .. .. .
<u>£28,454</u>		<u>£31,918</u>		<u>£28,454</u>	

PERCY TOOTHILL,  
Chairman of Trustees.

ARTHUR H. HUGHES,  
Incorporated Accountant,  
Hon. Auditor.

I have examined the above Accounts together with the Books and Vouchers and find the same to be correctly stated. I have also verified the Securities of the Fund.

April 27, 1950.



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